

May 3, 2002

CERTIFIED MAIL/RRR

Robert J. Bullock, Sr., Trustee f b o
Robert J. Bullock, Jr.
C/O Carter Castell
245 South Seguin
New Braunfels, Texas 78139-5124

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Dear Mineral Owner:

TMBR Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, completing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the E/2 NE/4 of said Section 25 in 2.8571 net mineral acres, or 3.5714%, for a N/2 unit participation of 0.8928%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

Robert J. Bullock, Sr., Trustee
May 3, 2002
Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.



Dennis J. Hopkins, CPL
Land Manager

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002.
for participation in the Well for the 0.8928% ownership vested in Robert J. Bullock, Sr., Trustee.

By: _____
Name: _____
Title: _____

TMBR/Sharp



Drilling, Inc.

Drawer 10970
Midland, Texas 79702-7970
315.689.5050

July 1, 2002

Rick Montgomery
Cotton Bledsoe Tighe & Dawson P.C.
P. O. Box 2776
Midland, Texas 79702-2776

Re: Robert J. Bullock, Sr., Trustee
Blue Fin #25 No. 1 Well Proposal
Lea County, New Mexico

Rick:

Our well proposal letter was sent to the above trustee, as trustee f/b/o Robert J. Bullock, Jr. in care of Carter Casteel. The return receipt was signed for May 7, 2002.

Mr. Casteel has sent a letter stating that he has been unable to locate Mr. Bullock. This was the only address of record on Mr. Bullock. A copy of Mr. Casteel's letter is enclosed for your reference. Based on this, when we do receive approval for the North-Half unit, the Bullock interest will be deemed to have been force-pooled and subject to such order.

This is being provided for your file and information. If there are any questions regarding it, please let me know.

Yours truly,

Dennis J. Hopkins

Enclosure

msg 6/27/02

CASTEEL & CASTEEL, P.L.L.C.
ATTORNEYS AND COUNSELORS AT LAW
254 EAST MILL STREET
NEW BRAUNFELS, TEXAS 78130-5118

TEL. (830)608-1611 FAX (830)608-0449

CARTER CASTEEL

BARRON CASTEEL

June 27, 2002

Denise J. Hopkins
TMBR/Sharp Drilling Corp.
Drawer 10970
Midland, Texas 79702-7970

Re: Robert J. Bullock, Sr.. Trustee f/b/o
Robert J. Bullock, Jr.
Well Proposal - Blue Fin "25" No. 1(the "well")
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S. R-35-E, N.M.P.M.,
Lea County, New Mexico

Dear Ms. Hopkins:

This letter is to advise your office that I am unable to locate Mr. Bullock with regards to the above mentioned matter.

Should you have any further questions please feel free to contact my office.

Sincerely,


CARTER CASTEEL

cc: Our File

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7002 0460 0002 0073 5332

NEW BRAUNFELS, TX 78130

| | | |
|---|----------------|---|
| Postage | \$ 3.10 | UNIT ID: 0708 Postmark Here Clerk: KHGFOG 05/04/02 |
| Certified Fee | 2.10 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 6.70 | |

Sent To Robert J. Bullock, Sr.
 Street, Apt. No. or PO Box No. 245 South Seguin
 City, State, ZIP+4 New Braunfels, TX 78139-5124

PS Form 3800, January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

 ROBERT J. BULLOCK, SR.
 c/o CARTER CASTELL
 245 SOUTH SEGUIN
 NEW BRAUNFELS, TX 78139-5124

COMPLETE THIS SECTION ON DELIVERY

A. Signature *Jennifer Gonzalez* Agent Addressee

B. Received by (Printed Name) *Jennifer Gonzalez* C. Date of Delivery *5-7-02*

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7002 0460 0002 0073 5332

EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

A. Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N 2), containing 320 acres, more or less

Lea County, New Mexico

B. Restrictions as to depth:

None

C. Parties subject to this Agreement and their respective percentages of interest:

| | |
|---------------------------------|--------------------------|
| TMBR/Sharp Drilling, Inc. | 99.10716% |
| Robert J. Bullock, Sr., Trustee | 0.89284% |
| Total: | <u>100.00000%</u> |

D. Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970
Telephone: (915) 699-5050
Facsimile: (916) 699-5085

Robert J. Bullock, Sr., Trustee
f/b/o Robert J. Bullock, Jr.
c/o Carter Castell
245 South Seguin
New Braunfels, Texas 78139
Telephone:
Facsimile:

8. Other provisions

who has prepared and circulated this form of execution, represents and warrants that the form was printed from and with the exception noted below, identical to the VAPL Form 610RS-1989 Model form Recording Supplement to Operating Agreement and Financing Statement published in computerized form on 3.5" floppy disk. There have been no changes, deletions, or modifications, other than those made by strike-through and/or insertion and that are clearly recognizable as changes in "blotches" have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April, 2002.

ATTEST OR WITNESS: OPERATOR
IMBR Sharp Drilling, Inc.
By: Jeffery D. Phillips, President
Title: Jeffery D. Phillips, President
Date:
Address: P O Box 10970, Midland, Texas 79702-7970

ATTEST OR WITNESS: NON-OPERATORS
By:
Title: Robert J. Bullock, Sr., Trustee
Date:
Address:

ATTEST OR WITNESS:
By:
Title:
Date:
Address:

ATTEST OR WITNESS:
By:
Title:
Date:
Address:

ATTEST OR WITNESS:
By:
Title:
Date:
Address:

EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

| | |
|---|-------------------|
| TMBR/Sharp Drilling, Inc. | 99.10716% |
| Robert J. Bullock, Sr., Trustee f/b/o Robert J. Bullock, Jr. | 0.89284% |
| Total: | <u>100.00000%</u> |

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970

Robert J. Bullock, Sr., Trustee
f/b/o Robert J. Bullock, Jr.
c/o Carter Castell
245 South Seguin
New Braunfels, Texas 78139

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties herein and to their respective heirs, devisees, estate representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 20th day of April, year 2002.

~~_____ who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception noted below, is identical to the VAPL Form 610-1982 Model Form Operating Agreement, as published in booklet form by Forms On A Disc, Inc. No changes, alterations, or modifications other than those in Articles _____ have been made to the form.~~

OPERATOR

FMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

By: _____
Printed Name: Robert J. Bullock, Sr., Trustee
Printed Title:

By: _____
Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)**

7002 0460 0002 0073 5325

OKLAHOMA CITY, OK 73154

| | | |
|---|----------------|---|
| Postage | \$ 3.50 | UNIT ID: 0708 Postmark Here Clerk: KHGFOG 05/04/02 |
| Certified Fee | 2.10 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 7.10 | |

Sent To Chesapeake Energy Corp.
 Street, Apt. No., or PO Box No. P. O. Box 18496
 City, State, ZIP+4 Oklahoma City, OK 73154-0496

PS Form 3800, January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

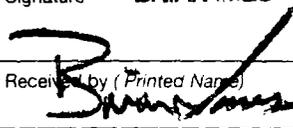
- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**CHESAPEAKE ENERGY CORP.
 P. O. BOX 18496
 OKLAHOMA CITY, OK 73154-0496**

COMPLETE THIS SECTION ON DELIVERY

A. Signature **BRIAN IMES**
 Agent
 Addressee

X 
 B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) **7002 0460 0002 0073 5325**

Chesapeake

Land Department

May 22, 2002

VIA UNITED PARCEL SERVICE

Mr. Dennis Hopkins
TMBR/Sharp Drilling, Inc.
4607 West Industrial
Midland, TX 79703

Re: Blue Fin "25" No. 1
Section 25-16S-35E
Lea County, New Mexico

Dear Mr. Hopkins:

Enclosed please find company check number 294983 in the amount of \$6,389.00 representing prepayment of Chesapeake's portion of the costs to casing point for the drilling of the captioned well. Also enclosed are the executed AFE, the executed JOA signature pages and two modified JOA pages. Please initial the modified JOA pages and return copies to Lynda Townsend.

If you have any questions, please call me at (405) 879-9374.

Sincerely,

Chesapeake Exploration Limited Partnership



Sara L. Caldwell
Land Tech

Enclosure

S:\NM-TXPAN\Letters\SLC\TMBR Sharp-Hopkins-20020522.doc

TMBR/ Sharp Drilling, INC.
AUTHORIZATION FOR EXPENDITURE

AFE Number _____ Date: 23-Apr-02

Well Name _____ State _____ County/Parish _____ Well No. _____
 Location: _____
 City/State: _____

| Code | INTANGIBLE DESCRIPTION | COST TO CASING POINT | COMPLETION COST | TOTAL WELL COST |
|--|---------------------------------------|----------------------|------------------|--------------------|
| 1 | Surveys Permits Bonds | 1200 | | 1,200 |
| 2 | Roads Location Damages | 30000 | | 30,000 |
| 3 | Mob demon | 27000 | | 27,000 |
| 4 | Drillrig Contract | | | |
| 5 | Drillrig Permits At \$4500/day | 400440 | 25,560 | 426,000 |
| 6 | Footage | | | |
| 7 | Completion Unit 15 days At \$2000/day | | 30,000 | 30,000 |
| 8 | Mud Chemicals | 35000 | | 35,000 |
| 9 | Water | 18000 | 3,000 | 21,000 |
| 10 | Cement-Cementing Services | 20000 | 36,000 | 56,000 |
| 11 | Fuel-Electricity-Generator-lights | 28200 | 1,800 | 30,000 |
| 12 | Bits | 65000 | | 65,000 |
| 13 | Reamers stabilizers | 15000 | | 15,000 |
| 14 | Service Equipment | 2000 | 5,000 | 7,000 |
| 15 | Equipment rentals | 10000 | 35,000 | 45,000 |
| 16 | Wire line Unit | | | |
| 17 | Mud Logging-Paleo Bioassay | 18000 | | 18,000 |
| 18 | Open Hole Logging | 25000 | 25,000 | 50,000 |
| 19 | Drill Stem Testing and coring | 20000 | | 20,000 |
| 20 | Tubular Inspection/Testing | 3000 | 1,500 | 4,500 |
| 21 | Transportation (land) | 3000 | 2,000 | 5,000 |
| 22 | Equipment inspection-testing | 2500 | 2,000 | 4,500 |
| 23 | Casing Crews/Tongs | 4500 | 5,000 | 9,500 |
| 24 | Drilling Overhead | 6500 | 1,500 | 8,000 |
| 25 | Supervision | 2750 | 5,500 | 8,250 |
| 26 | Case Hole Logging & Perf | | 5,500 | 5,500 |
| 27 | Stimulation | | 100,000 | 100,000 |
| 28 | Production Testing | | 10,000 | 10,000 |
| 29 | Completion Fluids | | 2,500 | 2,500 |
| 30 | Fishing Tools, Supervisor | 5000 | | 5,000 |
| 31 | Contract labor | 2500 | 3,000 | 5,500 |
| 32 | Insurance | 8756 | 2,919 | 11,675 |
| 33 | Plug and Abandon | 15000 | | 15,000 |
| 34 | Contingency (7%) | 53784 | 21195 | \$74,979 |
| TOTAL INTANGIBLE ESTIMATED COST | | \$822,130 | \$323,974 | \$1,146,104 |

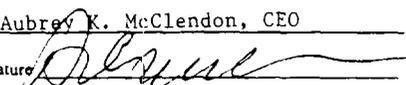
| Code | TANGIBLE DESCRIPTION | | | |
|--------------------------------------|---|------------------|------------------|--------------------|
| 35 | Conductor | | | |
| 36 | 500' of 13 3/8" 54.5 @15.50/FT | Surface Casing | 7,750 | 7,750 |
| 37 | 5000' of 9 5/8" 40# @ 13.00/FT | Intermediate Csg | 65,000 | 65,000 |
| 38 | | Intermediate Csg | | |
| 39 | | Intermediate Csg | | |
| 40 | 12,500' of 7" 26# @ 11.50/FT | Production Csg | 143,750 | 143,750 |
| 41 | 1500' of 4 1/2" 11.60# @ 5.75 ft | Liner | 8,625 | 8,625 |
| 42 | 13800' of 2 7/8" 6.50# @3.20/FT | Tubing | 44,160 | 44,160 |
| 43 | | Tubing | | |
| 44 | | Tubing | | |
| 45 | Wellhead Equipment | 4,200 | 9,000 | 13,200 |
| 46 | Float Equipment | 4,000 | 7,000 | 11,000 |
| 47 | Liner Equipment | | 12,000 | 12,000 |
| 48 | Pumping Unit / Base / Engine | | | |
| 49 | Sucker rods, Polished Rods | | | |
| 50 | Producing Equipment, Tank Battery, Flowline | | 60,000 | 60,000 |
| 51 | Flowlines, Vavles, Fittings/Connections | | 8,000 | 8,000 |
| 52 | Packers & Other Subsurface Tools | | 6,500 | 6,500 |
| 53 | Compressor | | | |
| 54 | Miscellaneous Sale Items | | 5,000 | 5,000 |
| 55 | Contingency (7%) | 5,667 | 21,282 | 26,949 |
| TOTAL TANGIBLE ESTIMATED COST | | \$86,617 | \$325,317 | \$411,934 |
| TOTAL AFE ESTIMATED COST | | \$908,747 | \$649,291 | \$1,558,038 |

APPROVAL AND ACCEPTANCE

Participant Chesapeake Operating, Inc.

W.I. 0.7031%

Title Aubrey K. McClendon, CEO

Signature 

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT

I Wish to be covered by TMBR/Sharp's blow out insurance.

I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.

Date May 15, 2002

TMBR/Sharp



Lawyer 10070
Midland, Texas 79701-7970
1-817-649-6060

May 3, 2002

CERTIFIED MAIL/RRR

Chesapeake Energy Corp.
P. O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Gentlemen:

TMBR/Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the W/2 NE/4 of said Section 25 in 2.2500 net mineral acres, or 2.8125%, for a N/2 unit participation of 0.7031%.

The leases owned by you and the associated ownership rights are set forth in greater detail on Exhibit “A”, attached hereto. A proposed form of Operating Agreement is enclosed for your consideration.

Chesapeake Energy Corp.
May 3, 2002
Page Two

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement. The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N:2 spacing unit for the Well. As an alternative, should you wish to farmout or enter into a term assignment of your leasehold interest we would be happy to discuss such a trade with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

AGREED AND ACCEPTED THIS 15th DAY OF May, 2002.
for participation in the Well for the 0.7031% ownership vested in Chesapeake ~~Energy Corp.~~
Operating, Inc.

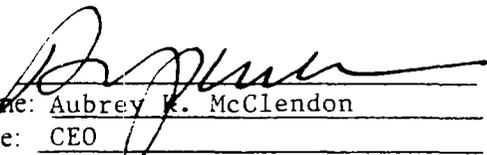
By: 
Name: Aubrey K. McClendon
Title: CEO

EXHIBIT "A"

Attached to that certain Well Proposal Letter Agreement dated May 3, 2002 between TMBR/Sharp Drilling, Inc. and Chesapeake Energy Corp. as to lands located in the N/2 of Section 25-16S-35E, N.M.P.M., Lea County, New Mexico.

Lease Dated: November 11, 1998
Recorded: Book 920, Page 128
Extension: Book 1107, Page 481
Lessor: Carl A. Schellinger et ux
Lessee: Chalfant Properties, Inc.
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
Section 25: W/2 NE/4

ARTICLE VIII
continued

1 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be
2 governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions
3 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to op-
4 tional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

5 If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such
6 consideration shall not be deemed a contribution as contemplated in this Article VIII C.

7 **D. — Maintenance of Uniform Interests:**

8 For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no
9 party shall sell, encumber, transfer or make other disposition of its interest in the leases, interests within the Contract Area and in wells,
10 equipment and production unless such disposition covers either:

- 11 1. the entire interest of the party in all leases and equipment and production, or
- 12 2. an equal undivided interest in all leases and equipment and production in the Contract Area.

13 Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement
14 and shall be made without prejudice to the right of the other parties.

15 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may
16 require such co-owners to appoint a single trustee or agent with full authority to receive monies, approve expenditures, receive billings, for
17 and approve and pay such party's share of the joint expenses, and to deal generally with and with power to bind the co-owners of such
18 party's interest within the scope of the operations embraced in this agreement, however, all such co-owners shall have the right to enter
19 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract
20 Area and they shall have the right to receive separate payment of the sale proceeds therefrom.

21 **E. — Waiver of Rights to Partition:**

22 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an
23 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided
24 interest therein.

25 **F. — Preferential Right to Purchase:**

26 Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract
27 Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the
28 name and address of the prospective purchaser who must be ready, willing and able to purchase the purchase price, and all other terms
29 of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase
30 on the same terms and conditions the interest which the other party proposes to sell, and if this optional right is exercised, the purchas-
31 ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par-
32 ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to
33 dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent com-
34 pany or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

35 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association
36 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several
37 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax
38 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded
39 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986, as per-
40 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-
41 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the
42 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,
43 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further
44 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the
45 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other
46 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract
47 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,
48 Subtitle "A", of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is per-
49 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-
50 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the
51 computation of partnership taxable income.

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 20th day of April year 2002

~~who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception noted below is identical to the V.A.P.L. Form 610 Model Form Operating Agreement as published in a diskette form by Forms On A Disk, Inc. No changes, alterations or modifications other than those in Article 14 have been made to the form.~~

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

By: _____
Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

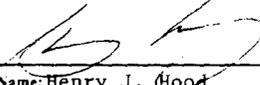
MYCO INDUSTRIES, INC.

ABO PETROLEUM CORP

By: _____
Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

~~CHESAPEAKE ENERGY CORP.~~
Chesapeake Exploration Limited Partnership

By:  _____
Printed Name: Henry J. Hood
Printed Title: Senior Vice President-Land and
Legal of Chesapeake Operating, Inc.,
General Partner of Chesapeake Exploration
Limited Partnership

By: _____
Printed Name:
Printed Title:

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF OKLAHOMA §
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on the 21st day of May, 2002 by Henry J. Hood, Senior Vice President - Land and Legal of Chesapeake Operating, Inc., General Manager of Chesapeake Exploration Limited Partnership.



Notary Public, State of Oklahoma
Printed Name: Sandra L. Mathis
Commission Expires: May 5, 2006
Commission Number: 02007791

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Exploration Limited
~~(Chesapeake Energy Corp.)~~ Partnership

By: _____
Type or Print Name
Title: Henry J. Hood, Senior Vice President -
Date: Land and Legal of Chesapeake Operating,
Address: Inc., General Partner of Chesapeake
Exploration Limited Partnership
Date: May 21, 2002
Address: P.O. Box 18496
Oklahoma City, OK 73154-0496

STATE OF TEXAS :
COUNTY OF MIDLAND :

This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

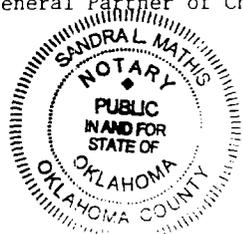
STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF OKLAHOMA §
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on the 21st day of May, 2002 by Henry J. Hood, Senior Vice President - Land and Legal of Chesapeake Operating, Inc., General Partner of Chesapeake Exploration Limited Partnership.



Notary Public, State of Oklahoma
Printed Name: Sandra L. Mathis
Commission Expires: May 5, 2006
Commission Number: 02007791

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THAT CERTAIN
OPERATING AGREEMENT DATED APRIL 20, 2002,
BY TMBR/SHARP DRILLING, INC., OPERATOR.

Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverages with limits not less than those specified below:

- | | | |
|----|---|--|
| A. | Workers Compensation Employer's Liability | Statutory \$100,000 each accident |
| B. | Comprehensive General Liability including: (a) property damage and bodily injury liability including, but not limited to, losses resulting from explosion, collapse, underground damage; and (b) contractual liability assumed under this Agreement. | \$1,000,000 Combined single limit |
| C. | Comprehensive Automobile Liability covering owned, non-owned and hired vehicles. | \$1,000,000 Combined single limit |
| D. | Umbrella Liability in excess of A (except Worker's Compensation), B and C above | \$20,000,000 Combined single unit |
| E. | Cost of Well Control and Operator's Extra Expense, including Care, Custody, and Control Coverage | \$5,000,000 OEE and Well Control \$250,000 CCC |

2. The insurance described in 1. above shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement.

3. Operator shall use every reasonable effort to have its contractors and subcontractors comply with applicable Worker's Compensation laws, rules, and regulations and carry such insurance as Operator may deem necessary, unless a Non-Operator provides evidence that it will provide its own coverage.

4. Operator shall not be liable to Non-Operator for loss suffered because of insufficiency of the insurance procured and maintained for the Joint Account nor shall Operator be liable to Non-Operator for any loss occurring by reason of Operator's inability to procure or maintain the insurance provided for herein, and if at any time during the term of this Agreement, Operator is unable to procure or maintain said insurance, Operator shall promptly so notify Non-Operator in writing.

5. In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the Joint Account and borne by the parties in accordance with their respective percentage of participation as determined by this Agreement.

6. Any party hereto may individually and at its own expense procure such additional insurance as it desires; provided, however, that such party shall obtain waivers by the insurer of all right of subrogation in favor of the other parties.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7002 0460 0002 0073 5288

ARTESIA, NM 88210

| | | |
|---|----------------|--|
| Postage | \$ 3.50 | UNIT ID: 0708 |
| Certified Fee | 2.10 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 7.10 | Postmark Here Clerk: KHGFOG 05/04/02 |

Sent To
 Yates Petroleum Corp etal
 Street, Apt. No. or PO Box No. 105 South 4th Street
 City, State, ZIP+4 Artesia, NM 88210

PS Form 3800, January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

YATES PETROLEUM CORP ETAL
105 SOUTH 4TH STREET
ARTESIA, NM 88210

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee

B. Received by (Printed Name) MAY 08 2002

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7002 0460 0002 0073 5288



105 South Fourth Street
Artesia, NM 88210

June 21, 2002

TMBR/Sharp Drilling, Inc.
Drawer 10970
Midland, TX 79702-7970

**RE: Blue Fin "25" No. 1
1913' FNL & 924' FWL
Sec 25, T16S-R35E
Lea County, New Mexico**

Gentlemen:

Please find enclosed your AFE and JOA signature pages to the captioned well which have been fully executed by Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Robert Bullock'.

Robert Bullock
Landman

RB:bn
enclosure(s)

TMBR/Sharp



Drawer 10970
Midland, Texas 79702-7870
351-699-5050

May 3, 2002

CERTIFIED MAIL/RRR

Yates Petroleum Corporation (70%)
Yates Drilling Company (10%)
MYCO Industries, Inc. (10%)
Abo Petroleum Corp. (10%)
105 South 4th Street
Artesia, New Mexico 88210

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Gentlemen:

TMBR Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, completing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the E/2 NE/4 of said Section 25 in 0.25000 net mineral acres, or 0.3125%, for a N/2 unit participation of 0.078125%.

The leases owned by you and the associated ownership rights are set forth in greater detail on Exhibit “A”, attached hereto. A proposed form of Operating Agreement is enclosed for your consideration.

Yates Petroleum Corporation et al
May 3, 2002
Page Two

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement. The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you wish to farmout or enter into a term assignment of your leasehold interest we would be happy to discuss such a trade with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.



Dennis J. Hopkins, CPL
Land Manager

**AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002,
for participation in the Well for the 0.078125% ownership vested in Yates Petroleum Corporation, Yates Drilling Company, MYCO Industries, Inc., and Abo Petroleum Corp.**

By: _____
Name: _____
Title: _____

EXHIBIT "A"

**Attached to that certain Well Proposal Letter Agreement dated May 3, 2002
between TMBR/Sharp Drilling, Inc. and Yates Petroleum Corporation, et al as to
lands located in the N/2 of Section 25-16S-35E, N.M.P.M., Lea County, New Mexico.**

Lease Dated: October 30, 2001
Recorded: Book 1115, Page 603
Lessor: Larry Hunnicutt, Custodian
Lessee: Yates Petroleum Corporation et al
Legal Description: Township 16 South, Range 35 East, N.M.P.M.
 Section 25: E/2 NE/4

TMBR/ Sharp Drilling, INC.
AUTHORIZATION FOR EXPENDITURE

AFE Number # 1 23-Apr-02

Well No. 1:

State Name: New Mexico County/Parish: Lea Location: 913 ENL & 924 FWL Sec 25, T16S, R 35E

| Account Code | INTANGIBLE DESCRIPTION | COST TO CASING POINT | COMPLETION COST | TOTAL WELL COST |
|--|---|----------------------|------------------|--------------------|
| 1 | Surveys Permits Bonds | 1200 | | 1,200 |
| 2 | Roads Location Damages | 30000 | | 30,000 |
| 3 | Mob demob | 27000 | | 27,000 |
| 4 | Drilling Contract | | | |
| 5 | Daywork 50 days At \$8,520 day | 400440 | 25,560 | 426,000 |
| 6 | Footage | | | |
| 7 | Completion Unit: 15 days At \$ 2000 Day | | 30,000 | 30,000 |
| 8 | Mud Chemicals | 35000 | | 35,000 |
| 9 | Water | 18000 | 3,000 | 21,000 |
| 10 | Cement Cementing Services | 20000 | 36,000 | 56,000 |
| 11 | Fuel/Electricity Generator lights | 28200 | 1,800 | 30,000 |
| 12 | Bits | 65000 | | 65,000 |
| 13 | Reamers stabilizers | 15000 | | 15,000 |
| 14 | Service Equipment | 2000 | 5,000 | 7,000 |
| 15 | Equipment rentals | 10000 | 35,000 | 45,000 |
| 16 | Wire line Unit | | | |
| 17 | Mud Logging/Paleo/Bioassay | 18000 | | 18,000 |
| 18 | Open Hole Logging | 25000 | 25,000 | 50,000 |
| 19 | Drill Stem Testing and coring | 20000 | | 20,000 |
| 20 | Tubular Inspection/Testing | 3000 | 1,500 | 4,500 |
| 21 | Transportation (land) | 3000 | 2,000 | 5,000 |
| 22 | Equipment inspection/testing | 2500 | 2,000 | 4,500 |
| 23 | Casing Crews/Tongs | 4500 | 5,000 | 9,500 |
| 24 | Drilling Overhead | 6500 | 1,500 | 8,000 |
| 25 | Supervision | 2750 | 5,500 | 8,250 |
| 26 | Cased Hole Logging & Perf | | 5,500 | 5,500 |
| 27 | Stimulation | | 100,000 | 100,000 |
| 28 | Production Testing | | 10,000 | 10,000 |
| 29 | Completion Fluids | | 2,500 | 2,500 |
| 30 | Fishing Tools Supervisor | 5000 | | 5,000 |
| 31 | Contract labor | 2500 | 3,000 | 5,500 |
| 32 | Insurance | 8756 | 2,919 | 11,675 |
| 33 | Plug and Abandon | 15000 | | 15,000 |
| 34 | Contingency (7%) | 53784 | 21195 | \$74,979 |
| TOTAL INTANGIBLE ESTIMATED COST | | \$822,130 | \$323,974 | \$1,146,104 |
| Account Code | INTANGIBLE DESCRIPTION | | | |
| 35 | Conductor | | | |
| 36 | 500' of 13 3/8" 54.5 @ 15.50/FT Surface Casing | 7,750 | | 7,750 |
| 37 | 5000' of 9 5/8" 40# @ 13.00/FT Intermediate Csg | 65,000 | | 65,000 |
| 38 | Intermediate Csg | | | |
| 39 | Intermediate Csg | | | |
| 40 | 12,500' of 7" 28# @ 11.50/FT Production Csg | | 143,750 | 143,750 |
| 41 | 1500' of 4 1/2" 11.60# @ 5.75 ft Liner | | 8,625 | 8,625 |
| 42 | 13800' of 2 7/8" 6.50# @ 3.20/FT Tubing | | 44,160 | 44,160 |
| 43 | Tubing | | | |
| 44 | Tubing | | | |
| 45 | Wellhead Equipment | 4,200 | 9,000 | 13,200 |
| 46 | Float Equipment | 4,000 | 7,000 | 11,000 |
| 47 | Liner Equipment | | 12,000 | 12,000 |
| 48 | Pumping Unit / Base / Engine | | | |
| 49 | Sucker rods, Polished Rods | | | |
| 50 | Producing Equipment, Tank Battery, Flowline | | 60,000 | 60,000 |
| 51 | Flowlines, Vavles, Fittings/Connections | | 8,000 | 8,000 |
| 52 | Packers & Other Subsurface Tools | | 6,500 | 6,500 |
| 53 | Compressor | | | |
| 54 | Miscellaneous Sale Items | | 5,000 | 5,000 |
| 55 | Contingency (7%) | 5,667 | 21,282 | 26,949 |
| TOTAL TANGIBLE ESTIMATED COST | | \$86,617 | \$325,317 | \$411,934 |
| TOTAL AFE ESTIMATED COST | | \$908,747 | \$649,291 | \$1,558,038 |

PROVAL AND ACCEPTANCE

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL

| | | | |
|--|-----------|--|-----------|
| Abo Petroleum Corporation <i>[Signature]</i> Date: 6-30-02 | 0.054687% | Abo Petroleum Corporation <i>[Signature]</i> Date: 6-30-02 | 0.007813% |
| Myco Industries, Inc. <i>[Signature]</i> Date: 6-30-02 | 0.007813% | Myco Industries, Inc. <i>[Signature]</i> Date: 6-30-02 | 0.007813% |

EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N 2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

| | |
|-----------------------------|-------------------|
| TMBR/Sharp Drilling, Inc. | 98.51562% |
| Chesapeake Energy Corp. | 0.70312% |
| Yates Petroleum Corporation | 0.54687% |
| Yates Drilling Company | 0.07813% |
| MYCO Industries, Inc. | 0.07813% |
| Abo Petroleum Corp. | 0.07813% |
| Total: | 100.00000% |

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970

Chesapeake Energy Corp.
P. O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Yates Petroleum Corporation
Yates Drilling Company
MYCO Industries, Inc.
Abo Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210-2122

STATE OF TEXAS §
COUNTY OF MIDLAND §

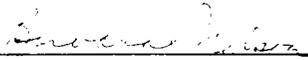
This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF NEW MEXICO §
 §
COUNTY OF EDDY §

The foregoing instrument was acknowledged before me this 20th day of June, 2002 by PEYTON YATES, Attorney-in-Fact for YATES PETROLEUM CORPORATION and YATES DRILLING COMPANY, by JOHN A. YATES, JR., Attorney-in-Fact for ABO PETROLEUM CORPORATION and by FRANK YATES, JR., Attorney-in-Fact for MYCO INDUSTRIES, INC., all New Mexico corporations, on behalf of said corporations.

My commission expires:
1-8-2004



Notary Public, State of New Mexico
Barbara Nelson

1 Other provisions

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4
5
6 _____ who has prepared and circulated this form for execution, represents and warrants
7 that the form was printed from and, with the exceptions listed below, is identical to the AAPI Form 610RS 1989 Model
8 Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by
9 Form On A Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion
10 and that are clearly recognizable changes in Articles _____ have been made to the form.

11 IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April
12
13 2002.

14
15
16 ATTEST OR WITNESS: OPERATOR
17
18 _____
19 TMBR Sharp Drilling, Inc.
20
21 By _____
22 Type or Print Name
23 Jeffery D. Phillips, President
24 Date: _____
25 Address: P O Box 10970, Midland, Texas 79702-7970

26
27
28 ATTEST OR WITNESS: NON-OPERATORS
29 Yates Petroleum Corporation
30
31 _____
32 By: [Signature]
33 Type or Print Name
34 [Name]
35 Title: _____
36 Date: _____
37 Address: _____

38
39
40 ATTEST OR WITNESS:
41 Yates Drilling Company
42
43 _____
44 By: [Signature]
45 Type or Print Name
46 [Name]
47 Title: _____
48 Date: _____
49 Address: _____

50
51 ATTEST OR WITNESS:
52 MYCO Industries, Inc.
53
54 _____
55 By: [Signature]
56 Type or Print Name
57 [Name]
58 Title: _____
59 Date: _____
60 Address: _____

61
62 ATTEST OR WITNESS:
63 Aho Petroleum Corp.
64
65 _____
66 By: [Signature]
67 Type or Print Name
68 [Name]
69 Title: _____
70 Date: _____
71 Address: _____

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 20th day of April year 2002

_____ who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception listed below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as published in diskette form by Forms On-A-Disk, Inc. No changes, alterations, or modifications other than those in Article _____ have been made to the form.

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

YATES PETROLEUM CORPORATION

Printed Name: _____
Printed Title: _____

BY

YATES DRILLING COMPANY

By: _____
Printed Name: _____
Printed Title: _____

MYCO INDUSTRIES, INC.

Printed Name: _____
Printed Title: _____

ABO PETROLEUM CORP

By: _____
Printed Name: _____
Printed Title: _____

CHESAPEAKE ENERGY CORP.

Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

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STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF NEW MEXICO §
 §
COUNTY OF EDDY §

The foregoing instrument was acknowledged before me this 20th day of June, 2002 by PEYTON YATES, Attorney-in-Fact for YATES PETROLEUM CORPORATION and YATES DRILLING COMPANY, by JOHN A. YATES, JR., Attorney-in-Fact for ABO PETROLEUM CORPORATION and by FRANK YATES, JR., Attorney-in-Fact for MYCO INDUSTRIES, INC., all New Mexico corporations, on behalf of said corporations.

My commission expires:
1-8-2004

Barbara Nelson
Notary Public, State of New Mexico
Barbara Nelson

EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N 2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

| | |
|-----------------------------|-------------------|
| TMBR/Sharp Drilling, Inc. | 98.51562% |
| Chesapeake Energy Corp. | 0.70312% |
| Yates Petroleum Corporation | 0.54687% |
| Yates Drilling Company | 0.07813% |
| MYCO Industries, Inc. | 0.07813% |
| Abo Petroleum Corp. | 0.07813% |
| Total: | 100.00000% |

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970

Chesapeake Energy Corp.
P. O. Box 18496
Oklahoma City, Oklahoma 73154-0496

Yates Petroleum Corporation
Yates Drilling Company
MYCO Industries, Inc.
Abo Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210-2122

U.S. Postal Service
CERTIFIED MAIL RECEIPT™
 (Domestic Mail-Only; No Insurance Coverage Provided)

7002 0460 0002 0073 5349

ROSWELL, NM 88202

| | |
|---|----------------|
| Postage | \$ 3.10 |
| Certified Fee | 2.10 |
| Return Receipt Fee (Endorsement Required) | 1.50 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ 6.70 |

UNIT ID: 0708

Postmark
Here

Clerk: KHGFOG

05/04/02

Sent To

Branex Resources, Inc.

Street, Apt. No.,
or PO Box No.

P. O. Box 2328

City, State, ZIP+4

Roswell, NM 88202-2328

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

BRANEX RESOURCES, INC.
P. O. BOX 2328
ROSWELL, NM 88202-2328

2. Article Number

(Transfer from service label)

7002 0460 0002 0073 5349

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]* Agent Addressee

B. Received by (Printed Name)

C. Date of Delivery

5-4-02

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes



BRANEX RESOURCES, INC.
POST OFFICE BOX 1329
ROSWELL, NEW MEXICO 88002-0329
505/627-4512 • FAX 505/627-4553

May 6, 2002

Dennis J. Hopkins, CPL
Land Manager
TMBR/Sharp
Drawer 10970
Midland, Texas 79702-7970

Re: Your AFE, JOA and Well Proposal dated May 3, 2002 and covering your "Blue Fin 25 No. 1 Well" to be located 1913' FNL & 924' FWL, Section 25, T16S-R35E, NMPM Lea County, New Mexico

Gentlemen:

The above items constitute the third well proposal that we have received or been notified about in Section 25, T16S-R35E, NMPM and it appears that the NMOCD still has to rule on certain items. I prefer to wait and see what final determinations that the NMOCD makes before I make a decision as to what we will do. As you are probably aware under NMOCD regulations, we have thirty (30) days after we receive a copy of the approved compulsory pooling order in order to either (a) participate with our interest in and to the subject well; or (b) simply be bound by the terms of the order. I do not desire to be uncooperative with TMBR/Sharp but I do think I am being prudent in awaiting the final orders of the NMOCD prior to my making a decision in this matter. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "F. Andrew Grooms".

F. Andrew Grooms, President
Branex Resources, Inc.

cc. Jim Bruce

TMBR/Sharp



1970
1970-1970
1970-1970

May 3, 2002

CERTIFIED MAIL/RRR

Branex Resources, Inc.
P. O. Box 2328
Roswell, New Mexico 88202-2328

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the W/2 NE/4 of said Section 25 in 2.2500 net mineral acres, or 2.8125%, for a N/2 unit participation of 0.7031%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

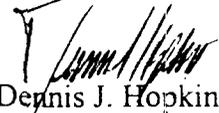
Branex Resources, Inc.
May 3, 2002
Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

**AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002,
for participation in the Well for the 0.8928% ownership vested in Branex Resources,
Inc.**

By: _____
Name: _____
Title: _____

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7002 0460 0002 0073 5318

| | | |
|---|----------------|--|
| DALLAS, TX 75219 | | UNIT ID: 0708 |
| Postage | \$ 3.10 | Postmark Here Clerk: KHGFOG 05/04/02 |
| Certified Fee | 2.10 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 6.70 | |
| Sent To: Robert M. Edsel | | |
| Street, Apt. No., or PO Box No.: 3111 Welborn, No. 1604 | | |
| City, State, ZIP+4: Dallas, TX 75219-5023 | | |

PS Form 3800, January 2001. See Reverse for Instructions.

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY |
|--|---|
| <ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. | <p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> |
| <p>1. Article Addressed to:</p> <p>ROBERT M. EDSSEL 3111 WELBORN, NO. 1604 DALLAS, TX 75219-5023</p> | <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> |
| <p>2. Article Number (Transfer from service label)</p> | <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> |
| <p>7002 0460 0002 0073 5318</p> | |

TMBR/Sharp



Owner 10970
Dallas, Texas 75202-7370
13049-1750

May 3, 2002

CERTIFIED MAIL/RRR

Robert M. Edsel
3111 Welborn, No. 1604
Dallas, Texas 75219-5023

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL,
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, completing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the NW/4 NE/4 of said Section 25 in 0.5000 net mineral acres, or 1.2500%, for a N/2 unit participation of 0.1562%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

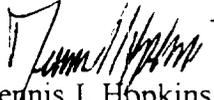
Robert M. Edsel
May 3, 2002
Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.



Dennis J. Hopkins, CPL
Land Manager

**AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002,
for participation in the Well for the 0.8928% ownership vested in Robert M. Edsel.**

By: _____
Name: _____
Title: _____

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 20th day of April (year) 2002

~~_____ who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as published in diskette form by Forms On A Disk, Inc. No changes, alterations, or modifications, other than those in Articles _____ have been made to the form.~~

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

BRANEX RESOURCES, INC.

By: _____
Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

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EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

A. Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

B. Restrictions as to depth:

None

C. Parties subject to this Agreement and their respective percentages of interest:

| | |
|---------------------------|--------------------------|
| TMBR/Sharp Drilling, Inc. | 99.29688% |
| Branex Resources, Inc. | 0.70312% |
| Total: | <u>100.00000%</u> |

D. Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970
Telephone: (915) 699-5050
Facsimile: (916) 699-5085

Branex Resources, Inc.
P. O. Box 2328
Roswell, New Mexico 88202
Telephone:
Facsimile:

1 8. Other provisions
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6 _____, who has prepared and circulated this form for execution, represents and warrants
7 that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610RS-1989 Model
8 Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by
9 Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by ~~strikethrough and/or insertion~~
10 and that are clearly recognizable as changes in Articles _____, have been made to the form.
11

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13 IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April
14 2002.

15
16 **ATTEST OR WITNESS:** **OPERATOR**
17 _____
18 **TMBR Sharp Drilling, Inc.**
19 _____
20
21 By _____
22 **Type or Print Name**
23 Title **Jeffery D. Phillips, President**
24 Date: _____
25 Address: **P O Box 10970, Midland, Texas 79702-7970**
26

27
28 **ATTEST OR WITNESS:** **NON-OPERATORS**
29 _____
30 **Branex Resources, Inc.**
31 _____
32
33 By: _____
34 **Type or Print Name**
35 Title: _____
36 Date: _____
37 Address: _____
38

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40 **ATTEST OR WITNESS:**
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45 By: _____
46 **Type or Print Name**
47 Title: _____
48 Date: _____
49 Address: _____
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51 **ATTEST OR WITNESS:**
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56 By: _____
57 **Type or Print Name**
58 Title: _____
59 Date: _____
60 Address: _____
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62 **ATTEST OR WITNESS:**
63 _____
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67 By: _____
68 **Type or Print Name**
69 Title: _____
70 Date: _____
71 Address: _____
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EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

| | |
|---------------------------|-------------------|
| TMBR/Sharp Drilling, Inc. | 99.29688% |
| Branex Resources, Inc. | 0.70312% |
| Total: | 100.00000% |

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970

Branex Resources, Inc.
P. O. Box 2328
Roswell, New Mexico 88202

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 20th day of April year 2002

_____ who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On A Disk, Inc. No changes, alterations, or modifications other than those in Articles _____ have been made to the form.

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

Printed Name: _____
Printed Title: _____

By: _____
Printed Name: Robert M. Edsel
Printed Title: _____

Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

A. Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

B. Restrictions as to depth:

None

C. Parties subject to this Agreement and their respective percentages of interest:

| | |
|---------------------------|-------------------|
| TMBR/Sharp Drilling, Inc. | 99.84375% |
| Robert M. Edsel | 0.15625% |
| Total: | <u>100.00000%</u> |

D. Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970
Telephone: (915) 699-5050
Facsimile: (916) 699-5085

Robert M. Edsel
3111 Welborn, No. 1604
Dallas, Texas 75219
Telephone:
Facsimile:

1 8 Other provisions

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_____ who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610RS-1989 Model Form Recording Supplement to Operating Agreement and Financing Statement as published in computerized form by Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____ have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April 2002

ATTEST OR WITNESS: OPERATOR

TMBR Sharp Drilling, Inc.
By _____
Type or Print Name
Title Jeffery D. Phillips, President
Date _____
Address P O Box 10970, Midland, Texas 79702-7970

ATTEST OR WITNESS: NON-OPERATORS

By _____
Type or Print Name
Title Robert M. Edsel
Date _____
Address _____

ATTEST OR WITNESS:

By _____
Type or Print Name
Title _____
Date _____
Address _____

ATTEST OR WITNESS:

By _____
Type or Print Name
Title _____
Date _____
Address _____

ATTEST OR WITNESS:

By _____
Type or Print Name
Title _____
Date _____
Address _____

EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M.
Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

| | |
|---------------------------|-------------------|
| TMBR/Sharp Drilling, Inc. | 99.84375% |
| Robert M. Edsel | 0.15625% |
| Total: | 100.00000% |

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc.
Attn: Jeffrey D. Phillips
P. O. Box 10970
Midland, Texas 79702-7970

Robert M. Edsel
3111 Welborn, No. 1604
Dallas, Texas 75219

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

7002 0460 0002 0073 5301

ROSWELL, NM 88202

| | | |
|---|----------------|---|
| Postage | \$ 3.10 | UNIT ID: 0708 Postmark Here Clerk: KHGFOG 05/04/02 |
| Certified Fee | 2.10 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 6.70 | |

Sent To Harle, Inc.
 Street, Apt. No., or PO Box No. P. O. Box 2608
 City, State, ZIP+4 Roswell, NM 88202-2608
 PS Form 3800, January 2001 See Reverse for Instructions.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

HARLE, INC.
P. O. BOX 2608
ROSWELL, NM 88202-2608

2. Article Number

(Transfer from service label)

7002 0460 0002 0073 5301

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
 B. Received by (Printed Name), C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

May 3, 2002

CERTIFIED MAIL/RRR

Harle, Inc.
P. O. Box 2608
Roswell, New Mexico 88202-2608

Re: Well Proposal – Blue Fin “25” No. 1 (the “Well”)
1913 Feet FNL, 924 Feet FWL.
Section 25, T-16-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Proposed Total Depth – 13,200 feet subsurface or to a depth
sufficient to test the Mississippian Formation, whichever is
the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. (“TMBR”) proposes the drilling of the Well at the indicated location to an approximate depth of 13,200’ subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure (“AFE”) is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, completing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the E/2 NE/4 of said Section 25 in 0.2500 net mineral acres, or 0.3125%, for a N 2 unit participation of 0.0781%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

Harle, Inc.
May 3, 2002
Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

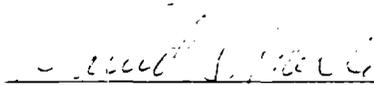
If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

**AGREED AND ACCEPTED THIS 10 DAY OF May, 2002,
for participation in the Well for the 0.0281% ownership vested in Harle, Inc.**

By: 
Name: Lonnie Arnold, TMBR, INC
Title: RESIDENT

1 8 Other provisions
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6 _____ who has prepared and circulated this form for execution, represents and warrants
7 that the form was printed from and, with the exception listed below, is identical to the AAPL Form 610RS 1989 Model
8 Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by
9 Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by strike-through and/or insertion
10 and that are clearly recognizable as changes in Articles _____ have been made to the form.
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13 IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of _____ April
14 2002.

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16 ATTEST OR WITNESS: OPERATOR
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18 _____
19 TMBR Sharp Drilling, Inc.
20
21 By _____
22 Type or Print Name
23 Jeffery D. Phillips, President
24 Date: _____
25 Address P O Box 10970, Midland, Texas 79702-7970
26
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28 ATTEST OR WITNESS: NON-OPERATORS
29 David S. Harle
30 _____
31 Harle, Inc.
32
33 By David S. Harle
34 Type or Print Name
35 Title: President
36 Date: 14 May 02
37 Address: 22236 E. Taylor Dr
38 Tulsa, OK 74122
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40 ATTEST OR WITNESS:
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46 Type or Print Name
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STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF Oregon §
COUNTY OF Columbia §

This instrument was acknowledged before me on the 4th day of May, 2002 by Robert S. Haire of Haire Inc, a New Mexico corporation, on behalf of said corporation.



Amy M. McReynolds
Notary Public, State of Oregon
Printed Name: Amy M. McReynolds
Commission Expires: 11/15/2004

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

ARTICLE XVI
MISCELLANEOUS

his agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns

his instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes

IN WITNESS WHEREOF, this agreement shall be effective as of 20th day of April year 2002

~~_____ who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as published in diskette form by Forms On A Disk, Inc. No changes, alterations, or modifications, other than those in Articles _____ have been made to the form.~~

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

HARLE, INC.

By: David S. Harle
Printed Name: David S. Harle
Printed Title: President

Printed Name:
Printed Title:

Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

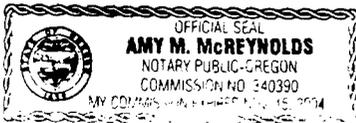
STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF Oregon §
COUNTY OF Washington §

This instrument was acknowledged before me on the 14th day of May, 2002 by David S. Hark of Hark Inc a New Mexico corporation, on behalf of said corporation.



Amy M. McReynolds
Notary Public, State of Oregon
Printed Name: Amy M. McReynolds
Commission Expires: 11/15/2004

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2002 by _____

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

| TMBR/ Sharp Drilling, INC. | | AFB Number = 1 | | 23-Apr-02 | |
|--|---|------------------|--|-----------|---------|
| AUTHORIZATION FOR EXPENDITURE | | Well No. 1. | | | |
| Name | State | County/Parish | Location: | | |
| in 25 | New Mexico | Lea | 1913' FNL & 924' FWL, Sec. 35, T16S, R 35E | | |
| INTANGIBLE DESCRIPTION | COST TO CASING POINT | COMPLETION COST | TOTAL WELL COST | | |
| 1 Surveys Permits / Bonds | 1200 | | 1,200 | | |
| 2 Roads Location Damages | 30000 | | 30,000 | | |
| 3 Mob demo | 27000 | | 27,000 | | |
| 4 Drilling Contract- | | | | | |
| 5 Daywork: 50 Days At \$8520 /day | 400440 | 25,560 | 426,000 | | |
| 6 Footage | | | | | |
| 7 Completion Unit: 15 days At \$ 2000 /day | | 30,000 | 30,000 | | |
| 8 Mud Chemicals | 35000 | | 35,000 | | |
| 9 Water | 18000 | 3,000 | 21,000 | | |
| 10 Cement/Cementing Services | 20000 | 36,000 | 56,000 | | |
| 11 Fuel/Electricity/Generator/lights | 28200 | 1,800 | 30,000 | | |
| 12 Bits | 65000 | | 65,000 | | |
| 13 Reamers/ stabilizers | 15000 | | 15,000 | | |
| 14 Service Equipment | 2000 | 5,000 | 7,000 | | |
| 15 Equipment rentals | 10000 | 35,000 | 45,000 | | |
| 16 Wire line Unit | | | | | |
| 17 Mud Logging/ Paleo/Bioassay | 18000 | | 18,000 | | |
| 18 Open Hole Logging | 25000 | 25,000 | 50,000 | | |
| 19 Drill Stem Testing and coring | 20000 | | 20,000 | | |
| 20 Tubular Inspection/Testing | 3000 | 1,500 | 4,500 | | |
| 21 Transportation (land) | 3000 | 2,000 | 5,000 | | |
| 22 Equipment inspection/testing | 2500 | 2,000 | 4,500 | | |
| 23 Casing Crews/Tongs | 4500 | 5,000 | 9,500 | | |
| 24 Drilling Overhead | 6500 | 1,500 | 8,000 | | |
| 25 Supervision | 2750 | 5,500 | 8,250 | | |
| 26 Cased Hole Logging & Perf | | 5,500 | 5,500 | | |
| 27 Stimulation | | 100,000 | 100,000 | | |
| 28 Production Testing | | 10,000 | 10,000 | | |
| 29 Completion Fluids | | 2,500 | 2,500 | | |
| 30 Fishing Tools/ Supervisor | 5000 | | 5,000 | | |
| 31 Contract labor | 2500 | 3,000 | 5,500 | | |
| 32 Insurance | 8756 | 2,919 | 11,675 | | |
| 33 Plug and Abandon | 15000 | | 15,000 | | |
| 34 Contingency (7%) | 53784 | 21195 | 74,979 | | |
| TOTAL INTANGIBLE ESTIMATED COST | \$822,130 | \$323,974 | \$1,146,104 | | |
| TANGIBLE DESCRIPTION | | | | | |
| 35 | Conductor | | | | |
| 36 | 500' of 13 3/8" 54.5 @ 15.50/FT | Surface Casing | 7,750 | | 7,750 |
| 37 | 5000' of 9 5/8" 40# @ 13.00/FT | Intermediate Csg | 65,000 | | 65,000 |
| 38 | | Intermediate Csg | | | |
| 39 | | Intermediate Csg | | | |
| 40 | 12,500' of 7" 26# @ 11.50/FT | Production Csg | | 143,750 | 143,750 |
| 41 | 1500' of 4 1/2" 11.60# @ 5.75/ft. | Liner | | 8,625 | 8,625 |
| 42 | 13800' of 2 7/8" 6.50# @ 3.20/FT | Tubing | | 44,160 | 44,160 |
| 43 | | Tubing | | | |
| 44 | | Tubing | | | |
| 45 | Wellhead Equipment | | 4,200 | 9,000 | 13,200 |
| 46 | Float Equipment | | 4,000 | 7,000 | 11,000 |
| 47 | Liner Equipment | | | 12,000 | 12,000 |
| 48 | Pumping Unit / Base / Engine | | | | |
| 49 | Sucker rods, Polished Rods | | | | |
| 50 | Producing Equipment, Tank Battery, Flowline | | | 60,000 | 60,000 |
| 51 | Flowlines, Vavles, Fittings/Connections | | | 8,000 | 8,000 |
| 52 | Packers & Other Subsurface Tools | | | 6,500 | 6,500 |
| 53 | Compressor | | | | |
| 54 | Miscellaneous Sale Items | | | 5,000 | 5,000 |
| 55 | Contingency (7%) | | 5,667 | 21,282 | 26,949 |
| TOTAL TANGIBLE ESTIMATED COST | \$86,617 | \$325,317 | \$411,934 | | |
| TOTAL AFE ESTIMATED COST | \$908,747 | \$649,291 | \$1,558,038 | | |

PROVAL AND ACCEPTANCE

Participant TABLE Inc
 I, 0078107
 as President
 Signature Daniel H. Hall

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT.

I Wish to be covered by TMBR/Sharp's blow out insurance.

I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.

Date 14 May 02