

July 8, 2004

Page 2

If there are any questions or if additional information is required, feel free to call me at (405) 552-4633.

Yours very truly,

DEVON ENERGY PRODUCTION COMPANY, L.P.



Ken Gray
Senior Land Advisor

Kg/esperanza3E-2pro.ltr w/enclosures

Esperanza 3E Fee #2

_____The undersigned hereby ratifies, adopts and confirms that certain Joint Operating Agreement dated March 1, 2001, and further elects to participate in the drilling of the Esperanza 3E Fee #2 with the interest as reflected on Exhibit A.

_____The undersigned hereby ratifies, adopts and confirms that certain Joint Operating Agreement dated March 1, 2001, and further elects not to participate in the drilling of the Esperanza 3E Fee #2, thereby electing to be a non-consenting party pursuant to Article VI.B.2.

✓ _____ Pitch Energy Corporation elects to participate in the drilling of the Esperanza 3E Fee #2 under the existing JOA dated November 4, 1968.

Company/Individual: Pitch Energy Corporation

By:  _____

Title: President

Date: 07/29/04

GAS - ☒
OIL - ☐**devon**

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

DRILLING ☐
COMPLETION ☐**AUTHORITY FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE**AFE NO.: 112673
Lease Name - Well #: Esperanza 3E Fee 2
Legal Description:County/Parish: Eddy
State: New Mexico
Prepared By: Abbitt, Wyatt**AUTHORITY REQUESTED TO:**

Funds are requested to drill and complete the Esperanza 3E Fee #2 targeting the Morrow formation. TD is expected at 12,000'

Code	Intangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
011	LAND, LEGAL	1,000	582	0	1,582
012	SURFACE DAMAGES / RIGHT OF WAY	10,000	0	0	10,000
012	SURFACE DAMAGES RIGHT OF WAY	0	2,327	0	2,327
013	LOCATION, ROADS, PITS, FENCES	30,000	0	0	30,000
043	DAYWORK	297,500	13,959	0	311,459
044	MOBILIZATION/DEMObILIZATION	50,000	698	0	50,698
101	DRILL BITS	62,000	0	0	62,000
102	COMPLETION FLUIDS	0	9,306	0	9,306
102	DRILLING FLUIDS	50,000	0	0	50,000
103	SURFACE RENTAL TOOLS & EQUIPMENT	0	14,000	0	14,000
104	DOWNHOLE RENTAL TOOLS & EQUIPMENT	14,000	2,909	0	16,909
109	OTHER MATERIALS & SUPPLIES	5,000	0	0	5,000
201	WELDING, ROUSTABOUTS & OTHER SERV	0	9,888	0	9,888
201	WELDING, ROUSTABOUTS & OTHER SERVICES	9,000	0	0	9,000
202	DIRT WORK & HEAVY EQUIPMENT	0	873	0	873
203	TRUCKING & HOTSHOT	4,000	8,143	0	12,143
251	CEMENT & CEMENTING SERVICES	22,600	39,790	0	62,390
254	FLOWBACK EQUIPMENT--TESTING SERVICES	0	5,235	0	5,235
255	LOGGING	0	17,449	0	17,449
257	OPEN HOLE EVALUATION	70,000	0	0	70,000
259	CASING & TUBULAR SERVICES	12,000	12,500	0	24,500
263	FLUID DISPOSAL	5,000	4,653	0	9,653
265	STIMULATION & GRAVEL PACK	0	197,753	0	197,753
269	CONSULTANTS	29,750	9,888	0	39,638
271	FISHING SERVICES	0	2,909	0	2,909
281	COMMUNICATIONS SERVICES	3,500	582	0	4,082
302	WATER	40,000	0	0	40,000
306	POWER & FUEL	42,000	0	0	42,000
501	PULLING & SWABBING UNITS	0	19,776	0	19,776
503	BACKFILL PITS/RESTORE LOCATION	3,000	1,745	0	4,745
552	SAFETY EQUIPMENT & TRAINING	3,000	500	0	3,500
559	ENVMT & SAFETY MISCELLANEOUS	0	6,398	0	6,398
711	COMPANY SUPERVISION	0	3,490	0	3,490
831	VEHICLE EXPENSE	0	582	0	582
865	COMPANY BENEFITS	0	367	0	367
895	TAXES - OTHER	73,000	0	0	73,000
Total Intangibles		836,350	386,302	0	1,222,652

Code	Tangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
901	SURFACE CASING	8,500	0	0	8,500

Please include/attach well requirement data with ballot.

GAS - ☒
OIL - ☐

devon

20 N. BROADWAY, SUITE 1500, OKLAHOMA CITY, OK 73102

**AUTHORITY FOR EXPENDITURE
DRILLING/COMPLETION COST ESTIMATE**

DRILLING _____
COMPLETION _____

AFE NO.: 112673
Lease Name - Well #: Esperanza 3E Fee 2
Legal Description:

County/Parish: Eddy
State: New Mexico
Prepared By: Abbitt, Wyatt

AUTHORITY REQUESTED TO:

Funds are requested to drill and complete the Esperanza 3E Fee #2 targeting the Morrow formation. TD is expected at 12,000'

Code	Tangible Description	Drilling Costs	Completion Costs	Dry Hole Costs	Total Costs
902	INTERMEDIATE CASING	34,965	0	0	34,965
903	PRODUCTION CASING	0	91,875	0	91,875
915	TUBING	0	48,159	0	48,159
925	SUBSURFACE EQUIP	0	11,633	0	11,633
931	WELLHEAD VALVES & EQUIPMENT	7,500	12,653	0	20,153
941	TANKS	0	20,939	0	20,939
945	TREATING EQUIPMENT	0	16,286	0	16,286
961	LINE PIPE, METERS & FITTINGS	0	5,235	0	5,235
Total Tangibles		50,965	206,780	0	257,745
TOTAL ESTIMATED COSTS		887,315	593,082	0	1,480,397

Note: Costs and participations are generally estimates. Billings will be based on actual expenditures

WORKING INTEREST OWNER APPROVAL

Company name:

Pitch Energy Corporation

Signature:

Johnny C Gray

Print Name:

Title:

President

Date:

7/29/04

Email:

marbob@marbob.com

Please include/attach well requirement data with ballot.