



P.O. Box 2691 88202-2691
400 Penn Plaza, Suite 1120
Roswell, NM 88201
Telephone (505)625-8807 • Fax (505)625-8827

January 24, 2007

Ms. Melissa A. Rickman
Assistant Vice President
Oil & Gas Management
Utica Plaza Suite 150
2100 South Utica Avenue
Tulsa, Oklahoma 74114-1436

RE: Offer to Lease
Bank of America, Trustee
f/b/o Maggie Grisso, Pauline E. Martin, Wayne A. Grisso,
and D.H. Grisso
Township 16 South, Range 36 East, N.M.P.M.
Lea County, New Mexico
Section 25: SWNW, NWSW
Section 26: SENE, NESE
80.00 Gross acres, 3.666667 Net acres

Dear Melissa:

A check of the records in the office of the County Clerk of Lea County, NM indicated the ownership of an undivided oil and gas mineral interest as captioned above. In this regard, on behalf of our client, we wish to offer a \$200.00 per acre bonus for the net acreage owned by you for a 3-year paid-up oil and gas lease providing for a 3/16th royalty.

Please show your acceptance of this offer, in the space provided below and return this letter to the undersigned. We will then prepare and forward to you our lease. It is contemplated that upon receipt of a fully executed and acknowledged oil and gas lease, we will promptly update our title and if approved, issue a check payable to you for the bonus consideration due.

We are grateful for your consideration. Please call me at the phone number listed if we may help in any way. You can also call me on my cell phone at 806-241-3514.

Sincerely,

Zane Watson,
Landman

____ Yes, we accept your offer.
Other _____

Oil Conservation Division
Case No. _____
Exhibit No. 3



March 22, 2007

TO: OWNERS OF WORKING INTEREST AND
UNLEASED MINERALS
(see attached distribution list)

RE: Well Proposal
S. Lovington "25" Well No. 1
SWNW Section 25 T16S-R36E
Lea County, New Mexico

Gentlemen:

Edge Petroleum Exploration Company ("Edge") hereby proposes the drilling of the S. Lovington "25" Well No. 1, a 12,800' MD, Wolfcamp and Devonian oil well. The well will be drilled 1,850' FNL and 332' FWL of Section 25, T16S-R36E at coordinates x=812,640, y=690,789. Attached please find Edge's drill and complete AFE for this well. The minerals in SWNW of Section 25 are owned by Edge-25%, Pure-12.5%, Chisos-12.5%, and various owners-50%. Please make your election below, and if your election is to participate, sign and return a copy of the AFE.

A JOA has been drafted, but due to the numerous unleased mineral interests, Exhibit "A" is still to be determined. If you wish to review a copy of the JOA, please let me know and I will send you a copy.

Should you have any operational questions, please feel free to call Daniel Hurd at (713) 427-8892 and Tom Powell at (713) 427-8886 for any technical questions. You are welcome to call me at (713) 427-8883 for any land-related questions.

Very truly yours,

Casey Quast
Landman

/cq
attachments

- Elect to participate in the drilling of the S. Lovington "25" Well No. 1
- Elect NOT to participate in the drilling of the S. Lovington "25" Well No. 1
- Elect to be covered under the Operator's insurance coverage
- Elect to NOT be covered under the Operator's insurance coverage

Chisos, Ltd.

By: _____

Name: _____

Title: _____

Pure Energy Group, Inc.

By: _____

Name: _____

Title: _____

Yates Petroleum Corporation

By: _____

Name: _____

Title: _____

Yates Drilling Company

By: _____

Name: _____

Title: _____

Abo Petroleum Corporation

By: _____

Name: _____

Title: _____

Myco Industries, Inc.

By: _____

Name: _____

Title: _____

Chesapeake Exploration Limited Partnership

By: _____

Name: _____

Title: _____

Mr. Anderson Carter, Trustor

Trustee of the Amended and Restated Trust Agreement dated June 7, 1999

By: _____

Name: _____

Title: _____

Trustees of the Coates Energy Trust

By: _____

Name: _____

Title: _____

Trustee of the Jenny Roberts Schimpff Trust

By: _____

Name: _____

Title: _____

Trustee of the Catherine G. Roberts Trust

By: _____

Name: _____

Title: _____

Trustee of the Barry Coates Roberts Trust

By: _____

Name: _____

Title: _____

Trustee of the Lisa Stieren Hardeman Trust

By: _____

Name: _____

Title: _____

Trustee of the George L. Stieren Trust

By: _____

Name: _____

Title: _____

Trustee of the Wendy Stieren Wirth Trust

By: _____

Name: _____

Title: _____

Trustee of the Kelly Stieren Daniell Trust

By: _____

Name: _____

Title: _____

Trustee of the Amy E. Stieren Trust

By: _____

Name: _____

Title: _____

**Bank of America, Trustee f/b/o Maggie Grisso, Pauline E. Martin, Wayne A. Grisso,
and D.H. Grisso Melissa A. Rickman Oil and Gas Management**

By: _____

Name: _____

Title: _____

Randy Geiselman

By: _____

Name: _____

Title: _____

Dorchester Minerals

By: _____

Name: _____

Title: _____

Maecenas Minerals, LLP

By: _____

Name: _____

Title: _____

**Mr. Larry B. Hall
c/o Hinkle Law Firm**

By: _____

Name: _____

Title: _____

**Myrtle Lee Malone
Executor of estate: Mr. Clarence L. Rosh**

By: _____

Name: _____

Title: _____

Blackstone Minerals, LP

By: _____

Name: _____

Title: _____

John W. Pilant & Jean H. Pilant, Trustees of Pilant Family Trust

By: _____

Name: _____

Title: _____

Mercantile Trading Corporation

By: _____

Name: _____

Title: _____

The Long Trusts

By: _____

Name: _____

Title: _____

Tom R. Cone

By: _____

Name: _____

Title: _____

Cathy Auvenshine aka Cathy McCown

By: _____

Name: _____

Title: _____

Kenneth G. Cone

By: _____

Name: _____

Title: _____

**Annis Roberts, Successor Trustee
Vicki Jeanne Saari Special Needs Trust**

By: _____

Name: _____

Title: _____

Working Interest Owners:

Chisos, Ltd.

Attn: Ms. Sue Ann Craddock
670 Doña Ana Road, SW
Deming, New Mexico 88030

Pure Energy Group, Inc.

Attn: Mr. Larry Risley
153 Treeline Park, Suite 220
San Antonio, Tx 78209

Yates Petroleum Corporation

Attn: Mr. Chuck Moran
105 S Fourth St
Artesia, NM 88210

Yates Drilling Company

Attn: Mr. Chuck Moran
105 S Fourth St
Artesia, NM 88210

Abo Petroleum Corporation

Attn: Mr. Chuck Moran
105 S Fourth St
Artesia, NM 88210

Myco Industries, Inc.

Attn: Mr. Chuck Moran
105 S Fourth St
Artesia, NM 88210

Chesapeake Exploration Limited Partnership

Attn: Ms. Lynda Townsend
P. O. 18496
Oklahoma City, OK 73154-0496

Unleased Mineral Owners:

Mr. Anderson Carter, Trustor

Trustee of the Amended and Restated Trust Agreement dated June 7, 1999

P.O. Box 7190
Ruidoso, NM 88355
(505) 258-1878

Trustees of the Coates Energy Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Jenny Roberts Schimpff Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Catherine G. Roberts Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Barry Coates Roberts Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Lisa Stieren Hardeman Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the George L. Stieren Trust

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Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Wendy Stieren Wirth Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Kelly Stieren Daniell Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

Trustee of the Amy E. Stieren Trust

Ms. Sherrie Green
Land Manager
P.O. Box 90569
San Antonio, TX 78209
(210) 820-0113

**Bank of America, Trustee f/b/o Maggie Grisso, Pauline E. Martin, Wayne A. Grisso,
and D.H. Grisso Melissa A. Rickman Oil and Gas Management**

Utica Plaza Suite 150
2100 South Utica Avenue
Tulsa, Oklahoma 74114-1436
(918) 591-8015

Randy Geiselman

2700 Racquet Club Dr.
Midland, TX 79705
(432) 682-7900

Dorchester Minerals

Attn: Mr. Brad Ehrman
3838 Oak Lawn Avenue, Suite 300
Dallas, TX 75219-4541
(214) 559-0300

Maecenas Minerals, LLP

Attn: Mrs. Linda Buckner
P.O. Box 176
Abilene, TX 79604
(325) 673-6429

**Mr. Larry B. Hall
c/o Hinkle Law Firm**

Mr. Bud Martin
P.O. Box 3580
Midland, TX 79702
(432) 683-4691

Myrtle Lee Malone

Executor of estate: Mr. Clarence L. Rosh
1630 Warren St.
San Fernando, CA 91340

Blackstone Minerals, LP

Attn: Mr. George Miller
1001 Fannin, Suite 2020
Houston, TX 77002-6709
(713) 445-3200

John W. Pilant & Jean H. Pilant, Trustees of Pilant Family Trust

1533 Sandra Drive
Boulder City, NV 89005

Mercantile Trading Corporation

2200 Ross Ave., Suite 4900 W
Dallas, TX 75201

The Long Trusts

Attn: Mr. Larry Long
P.O. Box 1700
Kilgore, TX 75663
(903) 988-3448

Tom R. Cone

P.O. Box 778
Jay, OK 74346

Cathy Auvenshine aka Cathy McCown

P.O. Box 507
Dripping Springs, TX 78620

Page 13 of 13
S. Lovington "25" Well No. 1
Lea County, NM

Kenneth G. Cone

P.O. Box 11310
Midland, TX 79702
(432) 687-4583

Annis Roberts, Successor Trustee
Vicki Jeanne Saari Special Needs Trust
1230 South 500 West, Apt. 9B
Bountiful, UT 84010

TOM R. CONE

P.O. BOX 400
Southwest City, MO 64863
Tel: (918) 854-3170
Fax: (918) 854-3137
E-mail: coneranch@netins.net

April 18, 2007

Edge Petroleum Corporation
1301 Travis, Suite 2000
Houston, TX 77002

RE: S. Lovington "25" Well No. 1
T16S-R36E Sec 25: SWNW
Lea Co. NM

RECEIVED
APR 24 2007
LAND DEPARTMENT
EDGE PETROLEUM CORP

Dear Mr. Quast:

Enclosed herewith is my election to participate in the above captioned well. Also, I am enclosing a check in the amount of \$1762.97 which is my share of drilling per the AFE which has been executed.

I am requesting that the following be forwarded when available:

- Operating Agreement
- Drilling Reports
- Completion Notice
- Any sundry Notices filed with the NM Oil & Gas Comm.

A check for completion costs will be forwarded at the time of election to participate in completion of well.

If any additional information is needed, please feel free to contact this office. Please note new address as shown above.

Sincerely,



Tom R. Cone

TRC/sr
Encls.

EDGE PETROLEUM OPERATING COMPANY, INC.
 1301 TRAVIS STREET, SUITE 2000, HOUSTON, TX, 77002
 Tel: (713) 654-8960, Fax: (713) 654-7722

AUTHORIZATION - FOR - EXPENDITURE

Lease/Well: South Lovington 25 No. 1 Field/Prospect: South Lovington Date: 2/6/06
 Location: Section 25 T16S R36E Objective: Devonian
Lea County, NM Proposed TD: 12,800
 X= 812,640 Y= 690,789 AFE No: _____

Project Type: **DRILLING-EXPL** DRILLING-DEV RECOMPLETION WO-EXPENSE OTHER INVEST
 (Circle one)

Project Description: AFE scope is to drill and complete a 12,800' Devonian well.

INTANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
Permit/Survey/Damages				10,000		10,000
Location & Road; Bldg./Restor				35,000	3,000	38,000
Con. Drill - Daywork	40	days @ \$	19,000	760,000	28,000	788,000
Con. Drill - Turnkey, Footage, Other		to				
Completion Rig:	12	days @ \$	4,000		48,000	48,000
M/RU/RD				60,000		60,000
Mud & Chemical				45,000		45,000
Fuel, Power, and Water				75,000	14,000	89,000
Bits				52,000	1,600	53,600
Cement & Cement Services				40,000	30,000	70,000
Casing Crew, Tongs & Tools				7,000	8,000	15,000
Mud Logging/MWD	30	days @ \$	750	22,500		22,500
Electric Logging/Perforating/Wireline				45,000	20,000	65,000
Swab/Coiled Tubing Units		days @ \$				
Fracture/ Acid Stimulation					125,000	125,000
Fishing Services						
Rental Tools & Equipment				65,000	15,000	80,000
Contract Supervision	40	days @ \$	950	38,000	18,000	56,000
Co. Labor (Time, Exp. & Benefits)						
Welding, Trucking, Contract Labor				15,000	15,000	30,000
DST & FT/Coning & Analysis				6,500		6,500
Consulting Services				3,000		3,000
Overhead				7,000	7,000	14,000
Transportation				5,000	15,000	20,000
Tubing inspection and testing						
Other				5,000	5,000	10,000
Subtotal Intangible				1,296,000	352,600	1,648,600
Contingencies 5 %				64,800	17,630	82,430
TOTAL INTANGIBLE COSTS				1,360,800	370,230	1,731,030

TANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
Conductor Pipe	Size	Footage	\$/foot	7,000		7,000
Surf. Casing	13 3/8"	455	34.00	15,470		15,470
Intermediate Csg	9 5/8"	4400	22.00	96,800		96,800
Production	5 1/2"	12800	15.00		192,000	192,000
Tubing	2 7/8"	12700	6.00		76,200	76,200
Float Equip. & Liner Hanger				8,000		8,000
Valves & Fittings					5,000	5,000
Wellhead Equipment				9,500	18,000	27,500
Misc. Equipment (Electrical distribution sys.)					40,000	40,000
Packer & Downhole Equipment					10,000	10,000
Rods & Pump						
Pumping Unit & Prime Mover (ESP)					150,000	150,000
Meter & Meter Run					8,500	8,500
Flowlines & Connections					25,000	25,000
Tanks					21,000	21,000
Heater & Dehyd./Compressor						
Separator/Heater-Treater					10,000	10,000
Installation Costs					20,000	20,000
Pipeline/ROW & Sales Connection					50,000	50,000
Other						
Subtotal Tangible				136,770	625,700	762,470
Contingencies 5 %				6,839	31,285	38,124
TOTAL TANGIBLE COSTS				143,609	656,985	800,594

TOTAL TANGIBLE & INTANGIBLE COST	1,504,409	1,027,215	2,531,624
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EDGE APPROVAL:	Edge WI (%) <u>25.00</u>	NONOPERATOR APPROVAL:	
Prepared by: <u>Daniel Hurd</u>		Company: <u>Tom B. Conc</u>	WI (%)
Date: <u>7/19/05</u>		Apprd by: <u>[Signature]</u>	
Approved by: <u>[Signature]</u>		Title: <u>WE OWNER</u>	Date: <u>4/11/07</u>
Date: _____		<input type="checkbox"/> Desire to be covered by Edge Petroleum's Insurance <input type="checkbox"/> Decline to be covered by Edge Petroleum's Insurance	

Note: It is recognized that the amounts herein are estimates only and approval of this authorization constitutes your agreement to share in the actual costs incurred in conducting the operation specified, whether more or less than that herein set out, as to your working interest percentage shown above.

John W. Pilant & Jean H. Pilant, Trustees of Pilant Family Trust

By: _____

Name: _____

Title: _____

Mercantile Trading Corporation

By: _____

Name: _____

Title: _____

The Long Trusts

By: _____

Name: _____

Title: _____

Tom R. Cone

By: Tom R. Cone

Name: _____

Title: WF OWNER

Cathy Auvenshine aka Cathy McCown

By: _____

Name: _____

Title: _____

- Elect to participate in the drilling of the S. Lovington "25" Well No. 1
- Elect NOT to participate in the drilling of the S. Lovington "25" Well No. 1
- Elect to be covered under the Operator's insurance coverage
- Elect to NOT be covered under the Operator's insurance coverage

Chisos, Ltd.

By: _____

Name: _____

Title: _____

Pure Energy Group, Inc.

By: _____

Name: _____

Title: _____

Yates Petroleum Corporation

By: _____

Name: _____

Title: _____

Yates Drilling Company

By: _____

Name: _____

Title: _____



Sara L. Caldwell
Assistant Landman

April 19, 2007

VIA FACSIMILE (713) 654-7722
AND U.S. MAIL

Mr. Casey Quast
Edge Petroleum Corporation
1301 Travis, Suite 2000
Houston, TX 77002

Re: S. Lovington "25" Well No. 1
1850' FNL & 332' FWL
Section 25-16S-36E
Lea County, New Mexico

RECEIVED
APR 23 2007
LAND DEPARTMENT
EDGE PETROLEUM CORP.

Dear Mr. Quast:

Pursuant to Edge Petroleum Corporation's proposal letter dated March 22, 2007, Chesapeake Operating, Inc. on behalf of Chesapeake Exploration Limited Partnership ("Chesapeake") hereby elects to participate in the drilling of the captioned well. The executed election letter and AFE are enclosed.

Please furnish Chesapeake with daily drilling reports and all other well information in accordance with the enclosed Well Data Requirements sheet. Chesapeake will provide its own insurance with respect to its share of liabilities incurred in the drilling, completion and operation of the captioned well. A copy of Chesapeake's insurance certificate will be provided upon request.

It is requested that your office provide a copy of the drilling title opinion and a joint operating agreement covering the captioned well.

Please call me if you have any questions.

Sincerely,

Chesapeake Operating, Inc.


Sara L. Caldwell

Enclosure

W:\Permian_North\Non-Operated Wells\S Lovington 25 No 1\Election-20070119.doc

- Elect to participate in the drilling of the S. Lovington "25" Well No. 1
- Elect NOT to participate in the drilling of the S. Lovington "25" Well No. 1
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- Elect to NOT be covered under the Operator's insurance coverage

Chisos, Ltd.

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Title: _____

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By: _____

Name: _____

Title: _____

Yates Petroleum Corporation

By: _____

Name: _____

Title: _____

Yates Drilling Company

By: _____

Name: _____

Title: _____

Abo Petroleum Corporation

By: _____

Name: _____

Title: _____

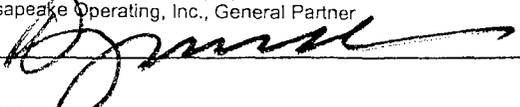
Myco Industries, Inc.

By: _____

Name: _____

Title: _____

Chesapeake Exploration Limited Partnership an
Oklahoma limited partnership by
Chesapeake Operating, Inc., General Partner

By:  _____

Name: Aubrey K. McClendon
Chief Executive Officer



Title: _____

Mr. Anderson Carter, Trustor
Trustee of the Amended and Restated Trust Agreement dated June 7, 1999

By: _____

Name: _____

Title: _____

Trustees of the Coates Energy Trust

By: _____

Name: _____

Title: _____

EDGE PETROLEUM OPERATING COMPANY, INC.
1301 TRAVIS STREET, SUITE 2000, HOUSTON, TX, 77002
 Tel: (713) 654-8960, Fax: (713) 654-7722

AUTHORIZATION - FOR - EXPENDITURE

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Mud & Chemical				45,000		45,000
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Swab/Coiled Tubing Units		days @ \$				
Fracture/ Acid Stimulation					125,000	125,000
Fishing Services						
Rental Tools & Equipment				65,000	15,000	80,000
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TANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
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Tubing	2 7/8"	12700	6.00		76,200	76,200
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Valves & Fittings					5,000	5,000
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Misc. Equipment (Electrical distribution sys.)					40,000	40,000
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TOTAL TANGIBLE COSTS				143,609	656,985	800,594

TOTAL TANGIBLE & INTANGIBLE COST **1,504,409** **1,027,215** **2,531,624**

EDGE APPROVAL: Edge WI (%) 25.00
 Prepared by: Daniel Hurd
 Date: 2/19/2006
 Approved by: [Signature]
 Date: _____

NONOPERATOR APPROVAL: Oklahoma limited partnership by
 Company: Chesapeake Operating, Inc. General Partner
 Apprd by: [Signature]
 Title: _____ Date: 4/17/07
 Desire to be covered by Edge Petroleum's Insurance
 Decline to be covered by Edge Petroleum's Insurance
Aubrey K. McClendor Chief Executive Officer

Note: It is recognized that the amounts herein are estimates only and approval of this authorization constitutes your agreement to share in the actual costs incurred in conducting the operation specified, whether more or less than that herein set out, as to your working interest percentage shown above.

**GEOLOGY DEPARTMENT
WELL DATA REQUIREMENTS
CHESAPEAKE OPERATING, INC.**

P. O. BOX 18496, Oklahoma City, OK 73154

OPERATOR: ENERGEN RESOURCES CORPORATION LOCATION: 1850' FNL & 332' FWL
SECTION 25-16S-36E
WELL NAME: S. LOVINGTON "25" WELL NO. 1 COUNTY/STATE: LEA COUNTY, NM

SPECIFIC INFORMATION REQUESTED PRIOR TO SPUD:

1. Name, address and phone numbers of landman, geologist and engineer who will service the well, and one (1) copy of each: final AFE, Survey Plat, Regulatory Permit, Geological Prognosis, Drilling Prognosis, and Directional Plan.

DAILY REQUIREMENTS: - DRILLING & COMPLETION REPORTS:

1. **PRIMARY** E-Mail or Fax to **CHK Non-Ops Reports** ASAP each day.
Voice #: 405/879-9115 Fax #: 405/879-9534 E-mail: NonOpsRpts@CHKEnergy.com
2. **SECONDARY** E-Mail or Fax to **David Godsey** ASAP each day.
Voice #: 405/879-7995 Fax#: 405/810-2660 E-mail: dgodsey@chkenergy.com

ALSO TO INCLUDE:

Daily Electric and Mud Logs, and e-mail any field reports pertaining to operations or Daily Directional Survey when applicable. Mud logging company or company personnel must communicate with Primary Geologist and define method of daily mud log retrieval by internet or email once mud logging commences.

NOTICES:

1. Notify the following 24 hour notice of intention to SPUD, LOG, CORE, FORMATION TESTING, COMPLETION, SIDETRACK OR ABANDON:

Primary Geologist: David Godsey

Office Phone: 405/879-7995

Office Fax: 405/810-2660

Home Phone: 405/340-0119

E-mail: dgodsey@chkenergy.com

Secondary Geologist: Mike Brown

Office Phone: 405/879-9223

Office Fax: 405/810-2660

Home Phone: 405/216-0817

E-mail: Mbrown2@chkenergy.com

LOGS AND DATA:

Mail to 6100 N. Western, Oklahoma City, OK 73118

Attention: Addie Pesche

E-Mail to: LogData@chkenergy.com as LAS and Tiff (raster) files w/ all open hole log data.
and dgodsey@ckenergy.com

1. All open hole and cased hole logs..... Final Prints 6
-includes Dip Meter, FMS, etc.-
2. Mud Logs..... Final Prints 6
3. Oil, gas and water analysis..... Final Print 1
4. Directional Survey..... Final Print 1
5. Bottom hole pressure surveys and reports..... Final Print 1
6. Geological & Paleotological Reports..... Copies 1
7. **PRODUCTION DATA:** E-Mail or fax monthly for the first ninety (90) days to productionnonop@chkenergy.com, Fax 405/879-7860 and David Godsey E-mail: dgodsey@chkenergy.com, Fax 405/810-2660. Production data includes all information, specifically, but not limited to, choke size, FTP, flow rates, gas mcfd, bopd, bwpd, method of production (free flow, rod pumping, etc.)

For notification, or if we could offer some assistance, please call David Godsey, geologist 405/879-7995, Lynda Townsend, landman 405/879-9414, Jeff Finnell, engineer 405/767-4347.

Thank you.

W:\Permian_North\Non-Operated Wells\S Lovington 25 No 1\NonOp-Townsend-Godsey.doc



105 South Fourth Street
Artesia, NM 88210
505-748-1471
FAX 505-748-4572

FAX COVER SHEET

DATE: 05-08-07

TO: CASEY QUAST

COMPANY: EDGE PETROLEUM CORPORATION

FAX: 713-654-7722

FROM: ROB BULLOCK

PHONE: 505 748-4351

FAX: 505 748-4572

NUMBER OF PAGES: 2
(including cover page)

COMMENTS: WELL PROPOSAL
S. LOVINGTON "25" WELL #1
LEA COUNTY, NEW MEXICO

*Called 11:30 AM and left message
with Rob Bullock that we would
pass on their terms.*

MARTIN YATES, III
1913-1983

FRANK W. YATES
1936-1988



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S.F. YATES
CHAIRMAN EMERITUS
JOHN A. YATES
CHAIRMAN OF THE BOARD
PEYTON YATES
PRESIDENT
FRANK YATES, JR.
EXECUTIVE VICE PRESIDENT
JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

May 8, 2007

Edge Petroleum Corporation
1301 Travis, Suite 2000
Houston, TX 77002
Attn: Casey Quast

Fax (713-654-7722)

RE: Well Proposal
S. Lovington "25" Well No. 1
Township 16 South, Range 36 East
Section 25: SW4NW4
Lea County, New Mexico

Gentlemen:

Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc. will farmout to the captioned well subject to the following terms:

- 1) Deliver a 75% nri leasehold before payout collectively retaining a 4 ½ % orri.
- 2) If the Subject well reaches a payout status as defined in the farmout agreement the Yates companies will have the option to convert 2% of the orri to a 33.3333% working interest subject to proportionate reduction.
- 3) The farmout agreement will allow you to earn the Yates' leasehold from the surface to 100' below total depth drilled if the well is capable of producing in commercial quantities.

If these farmout terms are acceptable please advise and I will prepare the agreement.

Call me at 505-748-4351 if you need to discuss the above

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn

RANDY G. PATTERSON
VICE PRESIDENT

DAVID L. LANNING
ASSISTANT VICE PRESIDENT

DENNIS G. KINSEY
TREASURER