

McElvain Oil & Gas Properties, Inc.

1050 17TH STREET, SUITE 1800
DENVER, COLORADO 80265

MONA L. BINTON, CPL
LAND MANAGER
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February 5, 2001

Mr. Rich Cochran
Energen Resources Corporation
2198 Bloomfield Highway
Farmington, NM 87401

Re: Amendment to Farmout dated May 22, 2000
Badger Com #10-1, Badger Com #10-1A
Township 25 North, Range 2 West, Section 10: S/2
Rio Arriba County, New Mexico

Gentlemen:

Under the terms of the referenced Farmout Agreement, McElvain drilled and completed the Badger #10-1 well to a depth sufficient to test and complete the Mesaverde formation. In accordance with the terms of paragraph 4. of said Farmout, McElvain is entitled to an assignment of interest from Energen in federal lease SF-081332-A insofar as said lease covers E/2SW/4 of Section 10. We have enclosed herewith 4 copies of a BLM form Transfer of Operating Rights for your review and execution to accommodate the terms of earning by McElvain.

Additionally, we have recently proposed the drilling of the Badger #10-1A well as an infill in the SE/4 of Section 10 which included an objective depth adequate to test the Mesaverde and Dakota formations together. Inasmuch as the referenced Farmout contemplates a Mesaverde test only, we request that you consider and approve an amendment thereto, which is enclosed for your review and execution, to allow the option for us to drill the infill well to the Dakota and earn rights from the base of the Mesaverde to base of Dakota in like manner as the Mesaverde was earned in the Badger #10-1 well. This amendment allows us to keep ownership of both zones uniform and allows more efficient commingling opportunity. We have also prepared and are currently circulating an amendment to the Operating Agreement to revise the depths covered thereunder to include the Dakota formation. Enclosed for your review and execution is such Amendment to Operating Agreement.

In summary, what we are requesting is your official approval and acceptance to McElvain drilling the Badger #10-1A well to the Dakota formation and the revision of relative documents to reflect same and a request for assignment of interest earned by the drilling of the Badger #10-1 well. To accomplish this, we are asking that you:

- 1) Execute all five copies of the Transfer of Operating Rights *having each copy acknowledged* and returning four to this office for filing and recording and retaining one copy for your records.
- 2) Execute both copies of the Amendment to Farmout letter, returning one copy to this office and retaining one copy for your records.

EXHIBIT "6" A
Application for Compulsory Pooling
Agreement Badger Com 10-1A
Case # 12634

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- 3) Execute both copies of the Amendment to Operating Agreement, returning one copy to this office and retaining one copy for your records.

I trust you will find the enclosed in order and will be willing to support our efforts to test the Dakota formation in this infill location, however, if you have any questions or concerns regarding any of the above or enclosed, please do not hesitate to call me at the numbers abovclisted. Thank you for your continued support with us in this area. I look forward to hearing from you soon.

Very truly yours,
McElvain Oil & Gas Properties, Inc.


Mona L. Binion, CPL
Land Manager

MLB/idi

T. H. McELVAIN OIL & GAS LIMITED PARTNERSHIP
McElvain Oil & Gas Properties, Inc., Sole General Partner

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February 5, 2001

Mr. Rich Cochran
Energen Resources Corporation
2198 Bloomfield Highway
Farmington, NM 87401

Re: Amendment to Farmout dated May 22, 2000
Badger Com #10-1
Badger Com #10-1A
Township 25 North, Range 2 West
Section 10: S/2
Rio Arriba County, New Mexico

Gentlemen:

The purpose of this letter is to confirm in writing the agreement between T. H. McElvain Oil & Gas Limited Partnership, in behalf of itself and its partners ("McElvain") and Energen Resources Corporation ("Energen"), to amend the referenced agreement to add the following provision:

"16. **ADDITIONAL EARNING.** In accordance with the provisions of paragraph 3. above, upon completion of the Badger #10-1 Well, McElvain shall earn and Energen shall assign to McElvain all of Energen's leasehold working interest in, to and under the oil and gas lease committed to this Agreement, from the base of the Pictured Cliffs formation to the base of the Mesaverde formation ("Earned Depths"). Also in accordance with the provisions of said paragraph 3., McElvain may propose and drill additional well(s) to be located in the S/2 of Section 10, Township 25 North, Range 2 West ("Spacing Unit") to test the Mesaverde formation ("Infill Well(s)"); and each and every Infill Well commenced prior to "Payout" (as defined in paragraph 5.) of the Badger Com #10-1 Well, shall be drilled, completed and produced in the same manner as the Badger #10-1 Well on a "before Payout" basis and shall, on a well-by-well basis, be subject to the same "Payout" recoveries as the Badger Com #10-1 Well. The parties agree, however, that McElvain shall have the right, but not the obligation, to propose the drilling of any Infill Well to a depth sufficient to adequately test the Dakota formation and that upon completion of the first Infill Well that is drilled and completed in the Dakota formation, McElvain shall have earned and Energen shall deliver to McElvain an assignment of all of Energen's leasehold working interest in those depths from the base of the Mesaverde formation to base of the Dakota formation, subject to the same terms and conditions and in the same manner as the leasehold working interest earned from the base of the Pictured Cliffs formation to the base of the Mesaverde formation. Thereafter, with respect to all Infill Wells drilled, the "Earned Depths", "Payout" calculations and all respective terms of this Agreement shall apply

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to all applicable drilled depths in such well below the base of the Pictured Cliffs formation.”

Please indicate your written acceptance to the amendment of the Farmout Agreement by signing in the space provided below and returning one copy of this letter to the undersigned at your earliest possible convenience. If you have any questions, please feel free to contact the undersigned.

Very truly yours,

T. H. MCELVAIN OIL & GAS LIMITED PARTNERSHIP
By McElvain Oil & Gas Properties, Inc., Sole General Partner

Mona L. Binion, CPL
Land Manager

MLB/idi

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2001.

ENERGEN RESOURCES CORPORATION

BY _____
(Title)

AMENDMENT TO OPERATING AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, the undersigned parties entered into an Operating Agreement dated May 1, 2000 covering S/2 of Section 10, Township 25 North, Range 2 West to govern oil and gas operations to be conducted thereon ("Operating Agreement"); and,

WHEREAS, the Operating Agreement was limited to cover *only those depths from the base of the Pictured Cliffs formation to the base of the Mesaverde formation*; and,

WHEREAS, the parties hereto desire to drill a well subsequent to the Initial Well contemplated under the Operating Agreement to a depth sufficient to test the Dakota formation; and,

WHEREAS, the parties hereto desire that the Operating Agreement govern not only the operations conducted in the aforementioned subsequent well down through the Mesaverde, but to also govern the operations down through and including the Dakota formation;

WHEREAS, the parties hereto desire to amend the terms of the Operating Agreement insofar as the depths covered thereby.

NOW, THEREFORE, for and in consideration of the mutual covenants and benefits shared by the parties, the parties hereto do hereby amend the Operating Agreement by replacing all references therein to limitations of depths covered by the Operating Agreement to include and be replaced with the following depth:

"From the base of the Pictured Cliffs formation down to and including the base of the Dakota formation."

It is understood that all other terms and provisions contained in the Operating Agreement shall remain unchanged.

This instrument is executed as of January 23, 2001 and may be executed in any number of counterparts as necessary, each counterpart of which will be binding upon the parties who executed the same as if all parties had executed the same instrument, whether or not all parties have executed, and which when counterparts executed are combined will constitute the complete document.

T.H. MCELVAIN OIL & GAS LIMITED PARTNERSHIP

BY _____ DATE _____

JAMES M. RAYMOND

Successor to partial interest from T.H. McElvain Oil & Gas Limited Partnership

BY _____ DATE _____

MCELVAIN OIL COMPANY

Successor to partial interest from T.H. McElvain Oil & Gas Limited Partnership

BY _____ DATE _____

**IBEX PARTNERSHIP
STATES INC.**

BY _____ DATE _____

BY _____ DATE _____

DUGAN PRODUCTION CORPORATION

BY _____ DATE _____

**GEORGIA ANN FUNDINGSLAND, CO.
ERNEST LAURELL FUNDINGSLAND, JR., CO**

BY _____ DATE _____

BY _____ DATE _____

JAMES LEE RASMUSSEN

BY _____ DATE _____

NM& O OPERATING COMPANY

BY _____ DATE _____

CLARK & OATMAN

BY _____

DATE _____

ENERGEN RESOURCES CORPORATION

BY _____

DATE _____