

**Manzano, LLC**

**P.O. Box 2107**

**Roswell, New Mexico 88202-2107**

**(505) 623-1996**

May 3, 2002

Mission Resources Corporation  
1331 Lamar, Suite 1455  
Houston, Texas 770010-3039

COPY

Attention: Mr. Mike Gibson

RE: REQUEST FOR TERM ASSIGNMENT  
Township 18 South, Range 30 East  
Section 30 (NM27279): Lots 3 & 4, E/2W/2  
Eddy County, New Mexico  
Consisting of approximately 236.75 gross acres, MOL

Dear Mike:

Manzano is primarily interested in acquiring a term assignment of your interest in the above referenced lands. Our information indicates that Bellwether Exploration owns a 12.50% interest in the rights from the Base of the Queen formation to 11,900' as to these lands and that you probably now own the Bellwether interest. As you may be aware, these particular lands were acquired by Bellwether from Mannix in 1999. The only exception is that in the E/2NW/4 of section 30 Mission only has the rights from 8450' to 11,900'. Although we are not entirely sure of the burdens against the Mission interest, it appears that you should have a 78.00% NRI on these lands.

Manzano has already obtained leases and/or commitments from 62.50% of the remaining interest holders in this particular lease. Our intentions are to put together a 320 acre comm. unit consisting of the West/2 of section 30 so that we can drill an 11,800' Morrow formation test. Time is of the essence in that EOG has recently staked Morrow locations that offset this acreage to the north and to the west (SW/4 of section 19 & NE/4 of section 25). We feel that we must get our well drilled in the west/2 of section 30 prior to EOG getting their wells drilled or we will face the problem of having too many straws in the same reservoir. This could seriously impact drainage as to both of our interests.

Manzano would ask that you either (1) commit your acreage and join in the drilling of the previously mentioned Morrow well (your interest in the 320 acre unit would be a 9.4428047% working interest), or (2) make a term assignment to Manzano of its interest in the referenced lands subject to the following terms and conditions (these are similar terms as we have leased from the other owners):

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12899 Exhibit No. 5  
Submitted by:  
MANZANO OIL CORPORATION  
Hearing Date: August 1, 2002

Request for Term Assignment

May 3, 2002

Page 2 of 2

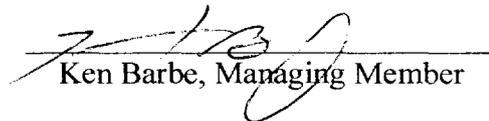
- 1) Manzano will pay Mission \$250.00 per net acre delivered for an 18-month term assignment (29.59375 net acres @ \$250.00 = \$7,398.44).
- 2) The rights to be assigned to Manzano will be limited to those depths from the Base of the Queen formation to the stratigraphic equivalent of 11,900' in the Petroleum Reserve Corporation Elliott Federal #1 well located in the E/2 of Section 30-T18S-R30E. In the E/2 NW/4 of section 30 the rights assigned would be those depths from 8450' to 11,900'.
- 3) Mission will deliver Manzano a 75% Net Revenue Interest and Mission would retain an overriding royalty interest equal to the difference between 25% and the existing burdens.
- 4) If Manzano has not completed drilling operations on the "Initial Test Well" upon the referenced lands, or lands pooled with the referenced lands, within the primary term, it shall have the option to extend the term assignment for an additional 18 months with Manzano paying Mission an additional bonus consideration of \$250.00 per net acre. Any extension of the term assignment shall cover all of the referenced lands.
- 5) If Manzano has completed drilling operations on the "Initial Test Well" upon the referenced lands, or lands pooled therewith, within the primary term or the option term if the term assignment has been extended, then it shall have the option to commence a continuous drilling program with not more than 180 days elapsing after the expiration of the term assignment, or the option term assignment, whichever is applicable, and the commencement of drilling operations of a subsequent well. All additional subsequent wells must be commenced within 180 days of the completion of the prior subsequent well.

As I previously mentioned, time is of the essence regarding this proposal. We both stand to suffer drainage if we can't get a well drilled prior to EOG getting started/finished with their offset locations. There is a chance that EOG may not drill one of their wells if we can get started before them.

Please let me know as soon as possible if you are interested in this proposal. Should you have any questions please give me or Mike Hanagan a call (505-623-1996). I look forward to hearing from you.

Sincerely,

MANZANO, LLC

  
Ken Barbe, Managing Member

MANZANO, LLC

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
Office: (505) 623-1996

121 West Third Street  
Roswell, New Mexico 88201  
Fax: (505) 625-2620

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June 19, 2002

**VIA CERTIFIED MAIL,**  
**RETURN RECEIPT REQUESTED**  
**AND REGULAR MAIL**

To the working interest owners

Re: Well proposal for Manzano's Green Flash "30" Fed Com No. 1 Well

Gentlemen:

Manzano, LLC hereby proposes to drill its Green Flash "30" Fed Com No. 1 Well at a legal location of 660 feet from the north line and 660 feet from the west line of Section 30, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, to a depth of 11,900 feet to test the Morrow Formation. The proposed proration unit for the well would be the W/2 of said Section 30. Duplicates of our AFE for such well are enclosed herewith. Please indicate whether or not you elect to participate in the proposed well by selecting the election set forth below.

We ask for your prompt response to this proposal, but in any event, your response should be received by Manzano within 30 days from the date hereof. If you elect to participate in the drilling of the well, you must also execute and return the enclosed AFE with your election within said 30-day time period.

Our records indicate that your working interest in the W/2 unit is 9.4428%.

If you have any questions regarding this proposal, please contact Kenneth Barbe, Jr. at Manzano.

  
\_\_\_\_\_  
Kenneth Barbe, Jr.

\_\_\_\_\_ Elect to participate in the drilling of the well as proposed above and a signed AFE is enclosed.

\_\_\_\_\_ Elect not to participate in the proposed well.

Manzano, LLC  
June 19, 2002  
Page 2

By: Mission Resources Corporation

By: \_\_\_\_\_  
Date: \_\_\_\_\_

**AUTHORIZATION FOR EXPENDITURE**

<b>WELL:</b> <u>Green Flash Fed #1</u>	<b>PROSPECT:</b> <u>Sparks</u>
<b>LOCATION:</b> <u>660' FN &amp; 660' FW-Sec. 30-T18S-R30E</u>	
<b>COUNTY:</b> <u>Eddy</u>	<b>STATE:</b> <u>New Mexico</u>
<b>OBJECTIVE/TD:</b> <u>Morrow/11,900'</u>	<b>AFE DATE:</b> <u>6/10/02</u>

**INTANGIBLE DRILLING/DEVELOPMENT COSTS**

CODE	ITEM	DRY HOLE	COMPLETION	TOTAL
1	Land & Leasehold Costs			\$0
2	Legal/Title Abstracts	\$10,000	\$5,000	\$15,000
3	Damages			\$0
4	P&A/Lease Restoration	\$10,000	\$2,000	\$12,000
5	Bits, Reamers & Stabilizers			\$0
6	Mobilization & Fuel			\$0
7	Prospect Fee			\$0
8	Geologist/Geophys./Landman Fee's			\$0
9	Surveying & Permits	\$2,000		\$2,000
10	Location & Roads	\$25,000		\$25,000
11	Footage: <u>11900' @ \$30.00</u>	\$357,000		\$357,000
12	Daywork: <u>6 day @ \$7500</u>	\$30,000	\$15,000	\$45,000
13	Completion Unit: <u>14 dy @ \$2000</u>		\$28,000	\$28,000
14	Mud Logging: <u>20dy @ \$650</u>	\$14,000		\$14,000
15	Drill Stem Tests: <u>2 @ \$5000</u>	\$10,000		\$10,000
16	Roustabout/Trucking/Casing Crew	\$3,000	\$5,000	\$8,000
17	Mud & Chemicals	\$40,000		\$40,000
18	Cement: Surface & Conductor	\$5,000		\$5,000
19	Cement: Intermediate	\$16,000		\$16,000
20	Cement: Production		\$25,000	\$25,000
21	Open Hole Logging	\$25,000		\$25,000
22	Tie-In Log/CBL/Perforating		\$15,000	\$15,000
23	Stimulation		\$15,000	\$15,000
24	Labor/Supervision: Contract			\$0
25	Labor/Supervision: Company	\$5,000	\$10,000	\$15,000
26	Administrative Overhead	\$5,000	\$3,000	\$8,000
27	Rental Tools & Equipment	\$5,000	\$10,000	\$15,000
28	Downhole Motor & Services			\$0
29	Water	\$13,000	\$2,000	\$15,000
30	Misc. (2%) & Tax (5%)	\$40,000	\$10,000	\$50,000
31	Core & Core Analysis			\$0
32	Tank Battery/Facility/Electrical		\$10,000	\$10,000
<b>Total Intangible Costs</b>		<b>\$615,000</b>	<b>\$155,000</b>	<b>\$770,000</b>

CODE	TANGIBLE COSTS	DRY HOLE	COMPLETION	TOTAL
36	Surf: <u>400' 13 3/8" @ \$17</u>	\$7,000		\$7,000
37	Interm: <u>3500' 8 5/8" @ \$11.00</u>	\$39,000		\$39,000
38	Prod: <u>11900' 5 1/2" @ \$7.00</u>		\$84,000	\$84,000
39	Tubing: <u>11900' 2 7/8" @ \$3.00</u>		\$36,000	\$36,000
40	Wellhead Equipment	\$6,000	\$10,000	\$16,000
41	Rods			\$0
42	Packers		\$5,000	\$5,000
43	Downhole Pump			\$0
44	Pumping Unit & Prime Mover			\$0
45	Float Equipment	\$2,000	\$4,000	\$6,000
46	Tanks, Flowlines & Fittings		\$25,000	\$25,000
47	Separator/Heater Treater		\$7,000	\$7,000
48	Gas Lines & Meters		\$2,000	\$2,000
49	Misc. (2%) + Tax (5%)	\$6,000	\$12,000	\$18,000
<b>Total Tangible Costs</b>		<b>\$60,000</b>	<b>\$185,000</b>	<b>\$245,000</b>

<b>TOTAL WELL COST EST.</b>	<b>\$675,000</b>	<b>\$340,000</b>	<b>\$1,015,000</b>
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IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED HEREIN.

MANZANO OIL CORPORATION  
P.O. BOX 2107  
ROSWELL, NM 88202-2107  
(505) 623-1996 (phone)  
(505) 625-2620 (fax)

COMPANY: \_\_\_\_\_

APPROVED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

SS#/TAX ID \_\_\_\_\_