

NEGOTIATIONS WITH UNCOMMITTED INTERESTS

8/26/02 Discussion with Bill Owen at David Petroleum
8/26/02 Discussion with Robert Bullock at Yates Petroleum Corporation
8/27/02 Discussion with Bill Owen at David Petroleum
9/5/02 Discussion with Robert Bullock at Yates Petroleum Corporation
9/6/02 Discussion with Bill Owen at David Petroleum
9/12/02 Discussion with Bill Owen at David Petroleum
9/13/02 Discussion with Bill Owen at David Petroleum
9/13/02 Discussion with Robert Bullock at Yates Petroleum Corporation
9/16/02 Discussion with Bill Owen at David Petroleum
9/16/02 Discussion with Yates Petroleum Corporation
9/17/02 Discussion with Bill Owen at David Petroleum
9/17/02 Discussion with Yates Petroleum Corporation



EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702
(915) 686-3600

August 23, 2002

FAX FOLLOWED BY
CERTIFIED MAIL – RETURN RECEIPT

Working Interest Owners
(See Attached List)

Re: John's Hopper #2 Well
S/2 Section 30, T-15-S, R-35-E
Lea County, New Mexico
Salty Dog Prospect

Gentlemen:

EOG Resources, Inc. ("EOG") (successor to David H. Arrington Oil & Gas, Inc.) hereby proposes to drill the John's Hopper #2 Well to a total depth of 13,300' or a depth sufficient to test the Morrow formation at a proposed location of 1980' FSL & 880' FWL of Section 30, T-15-S, R-35-E, Lea County, New Mexico. Attached, for your review and approval, is EOG's AFE in the amount of \$1,365,500.00 to drill and complete this well.

If you wish to participate in this well, please signify on Page 2 and return one copy of this letter, one executed AFE and a copy of your well requirements. Should a party not be interested in participating in this test, EOG would entertain a mutually agreeable trade. A Joint Operating Agreement is being prepared and will follow this proposal should it be your election to participate.

Your cooperation in responding timely to this matter is appreciated. Should you have any questions, please contact me at (915) 686-3758.

Sincerely,

EOG RESOURCES, INC.

A handwritten signature in black ink that reads "Patrick J. Tower". The signature is written in a cursive, flowing style.

Patrick J. Tower
Division Land Specialist

Enclosures

August 23, 2002
Page Two

_____ Elect to participate in the John's Hopper #2 Well.

_____ Elect **not to** participate in the John's Hopper #2 Well.

COMPANY: _____

By: _____

Title: _____

Date: _____

Enclosures

WORKING INTEREST OWNERS
JOHN'S HOPPER #2 WELL
EDDY COUNTY, NEW MEXICO

Yates Petroleum Corporation
Abo Petroleum Corporation
Myco Industries, Inc.
Yates Drilling Company
105 South 4th Street
Artesia, New Mexico 88211
Attn: Kathy H. Porter

David Petroleum Corporation
McMillan Ventures, LLC
Permian Exploration Corporation
McMillan Production Company, Inc.
Edward N. David and Wife _____
William B. Owen and Wife _____
Keith E. McKamey and Wife Kay Ann McKamey
Michael A. McMillan and Wife Teresa L. McMillan
116 W. 1st Street
Roswell, New Mexico 88201
Attn: Edward N. David

John Owens and Cynthia Owens
4618 5th Street
Lubbock, Texas 79416

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. 	A. Received by (Please Print Clearly)	B. Date of Delivery
	John Owens 8/24/02	
1. Article Addressed to:	C. Signature	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
	X [Signature]	
John Owens and Cynthia Owens 4618 5 th Street Lubbock, Texas 79416	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <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.	
2. Article Number (Copy from service label)	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
7000 0520 0020 9193 8611		
PS Form 3811, July 1999	Domestic Return Receipt	102595-00-M-0952

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. 	A. Received by (Please Print Clearly)	B. Date of Delivery
	Bari Bellucini 8-26-02	
1. Article Addressed to:	C. Signature	<input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee
	X [Signature]	
David Petroleum Corp. et al 116 W. First Street Roswell, New Mexico 88203 Attention: Edward N. David	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <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.	
2. Article Number (Copy from service label)	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
7000 0520 0020 9193 8598		
PS Form 3811, July 1999	Domestic Return Receipt	102595-00-M-0952

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. 	A. Received by (Please Print Clearly)	B. Date of Delivery
	PATTI CARLILE AUG 26 2002	
1. Article Addressed to:	C. Signature	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
	X [Signature]	
Yates Petroleum Corp. et al 105 South 4th Street Artesia, New Mexico 88211 Attention: Kathy Porter	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <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.	
2. Article Number (Copy from service label)	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
7000 0520 0020 9193 8604		
PS Form 3811, July 1999	Domestic Return Receipt	102595-00-M-0952

UNITED STATES POSTAL SERVICE

MIDLAND/DDESSA TX 797 08/27/02



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

EOG Resources, Inc.
John's Hopper #2 Well
Attn: Patrick Tower
P. O. Box 2267
Midland, Texas 79702

RECEIVED
AUG 2 2002
LAND DEPT.

99



UNITED STATES POSTAL SERVICE

MIDLAND/DDESSA TX 797 08/27/02



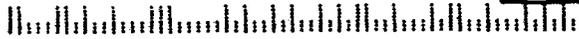
First-Class Mail
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Midland, Texas 79702

RECEIVED
AUG 26 2002
LAND DEPT.

99



LDM ASSOCIATES
116 West First Street
Roswell, New Mexico 88203

William B. (Bill) Owen, CPL
Land Manager

505-623-8800

FACSIMILE TRANSMITTAL
505-623-1801

DATE: 8-27-02

TO: PAT TOWEN

FROM: Bill Owen

FAX#: 915-686-3773

PAGES TO FOLLOW: 1

RE: John's Hopper #2

MESSAGE:

PAT -

PER OWN CONVERSATION

CC: _____

III. Percentage Interests of Parties Under the Agreement:

Yates Petroleum Corporation	32.6900%
Yates Drilling Company	4.6700%
Abo Petroleum Corporation	4.6700%
Myco Industries, Inc.	4.6700%
David Petroleum Corporation	22.6000%
McMillan Production Company	8.4730%
McMillan Ventures, LLC	10.6600%
Permian Exploration Corporation	9.5670%
Keith E. McKamey	0.2500%
William B. Owen	0.2500%
Edward N. David	0.5000%
Michael A. McMillan and Teresa L. McMillan, Husband & wife	<u>1.0000%</u>
	100.0000%

COMMAND #207

DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	STATUS
001	9/12 09:23	5057484572	EC--S	01"38	004	OK

FAX

EOG RESOURCES, INC.

P. O. BOX 2267
 4000 N. BIG SPRING ST., SUITE 500
 MIDLAND, TEXAS 79705
 (915) 686-3600

DATE:	<u>9/12/2002</u>	NO. PAGES:	<u>1</u>
TO:	<u>ROBERT BULLOCK</u>	COMPANY:	<u>YATES</u>
		TELE NO:	<u></u>
		FAX NO:	<u>505-748-4351</u>
FROM:	<u>PATRICK TOWER</u>	TELE NO:	<u>915-686-3758</u>
		FAX NO:	<u>915 - 686 - 3773</u>

IF PAGES ARE NOT RECEIVED OR IF THERE ARE ANY TRANSMISSION PROBLEMS,
 PLEASE CALL NUMBER LISTED ABOVE.

URGENT CONFIDENTIAL REPLY REQUESTED

MESSAGE: PER OUR CONVERSATION ON THE JOHN'S HOPPER 30 #2

(COPY OF STUBBEMAN LETTER OPINION
 DATED 9/5/02 ON JOA/ TOP
 LEASE -> WI #'S)