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WELL FILE
Corresp. Tab -

Bird Creek Resources, Inc.

1412 S. Boston, Suite 550
Tulsa, Oklahoma 74119
(918) 582-7713

May 1, 1990

CHL Energy, Inc.
c/o Queencliff Management
1241 Homer Street
Vancouver, British Columbia V6Z9Y9

Attention: Mr. Dave Mathison

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Bird Creek EXHIBIT NO. 2

CASE NO. 10015

Re: West Loving Prospect
Proposed 6,300' Delaware Test
SE/4 NE/4, Section 15-23S-28E
Eddy County, New Mexico

Gentlemen:

This is to advise that Bird Creek Resources, Inc. ("Bird Creek") hereby formally proposes the drilling of a 6,300' Delaware test at a legal location in the SE/4 NE/4 of Section 15-23S-28E, Eddy County, New Mexico. In this regard, please find enclosed two (2) copies of our AFE.

If you desire to participate in this test, please execute one copy of the AFE and forward to this office.

If you do not desire to participate, we hereby offer to take a farmout of your interest on the following basis:

1. On or before October 1, 1990, Bird Creek shall commence or cause to be commenced the actual drilling of a 6,300' Delaware test at a legal location in the SE/4 NE/4 of Section 15-23S-28E, Eddy County, New Mexico.
2. Upon completion of the initial test as a well capable of producing oil and/or gas in commercial quantities, farmoutor shall assign to Bird Creek all of its interest in the NW/4 NE/4 of Section 15 from the surface down to 100 feet below the stratigraphic equivalent of the total depth drilled or to the base of the Delaware formation, whichever is the lesser.
3. Farmoutor shall reserve an overriding royalty interest equal to the difference between the existing leasehold burdens and 25%. At payout of the test well, said

override shall be convertible to a proportionately reduced 25% working interest.

4. Bird Creek shall furnish all geological and well information on any well drilled on the farmout acreage.
5. The proration unit shall be covered by a mutually acceptable Joint Operating Agreement.

We are requesting that you reply within 30 days from the date of this letter after which time it will be necessary for us to schedule a force pooling hearing so that this operation may be commenced on schedule.

If you have any questions or require further information in this regard, please do not hesitate to contact me.

Sincerely,


Lawrence W. Robinette
Land Manager

Enclosures