

AMERADA HESS CORPORATION

1201 LOUISIANA, SUITE 700
HOUSTON, TEXAS 77002-5681
713-658-9770

FEDERAL EXPRESS

June 9, 1988

RECEIVED
JUN 11 1988
(Case 9417)
M.S.

Anadarko Petroleum Corporation
P. O. Box 2497
Midland, Texas 79702

ATTENTION: Wayne M. Wheelis

RE: Sorenson Prospect (Your West Knowles
Prospect)
Lea County, New Mexico

Dear Wayne:

Reference is made to our numerous phone conversations and your letters dated June 1, 1988. Amerada Hess Corporation (AHC) firmly believes, based on its geophysical data that the best location to drill the initial Strawn Test Well is in the SE/4 of Section 33, 16S-38E, and that an Area of Mutual Interest would be in the best interest of our two companies. However, since Anadarko chooses not to consider this proposal we see no reason to meet and share data. In the spirit of cooperation and to support your test well, AHC hereby offers to farmout to Anadarko its interest in the E/2SE/4 of Section 28, 16S-38E, subject to the following terms:

- (1) Within ninety (90) days of the date of a formal farmout agreement you will commence actual drilling operations of a Strawn test well located at a legal location in the E/2SE/4 of Section 28, 16S-38E. Said well will be drilled to a depth of 12,000 feet or to a depth sufficient to test the Strawn formation, whichever is the lesser depth.
- (2) Completion of the Test Well as a commercial producer will earn Anadarko all of AHC's interest in the proration unit established for the test well, from the surface of the earth down to 100' below the total depth drilled.
- (3) AHC will reserve a twenty-five percent (25%) overriding royalty less lease burdens with the option to convert said override to a twenty-five percent (25%) working interest at payout of the Test Well. Said override and working interest will be proportionately reduced to the original interest assigned to Anadarko.
- (4) AHC will have a call on its share of production from the initial test well.

Anadarko Petroleum Corporation
June 9, 1988
Page 2

Please acknowledge your acceptance to the foregoing terms and your dismissal of AHC as a respondent to the Application for Compulsory Pooling as requested in your attorney's May 27, 1988 application letter, a copy of which is attached, by executing both copies of this letter in the space provided below and return one to my attention. I will immediately prepare a formal farmout agreement and forward to your attention.

Sincerely,

AMERADA HESS CORPORATION



Henry J. Hansen
Senior Landman

AGREED to and ACCEPTED this
_____ day of _____, 1988.

ANADARKO PETROLEUM CORPORATION

BY: _____

HJH:rms(068L)

Enclosure

cc: Campbell and Black
ATTN: William Carr
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Kellahin, Kellahin and Aubrey
ATTN: W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 85701