

October 14, 1987

ARCO Oil and Gas Company
Post Office Box 1610
Midland, Texas 79702

Attention: Ms. Rita Buress

RE: Proposed Devonian Test
Erwin No. 1
EAST MORTON PROSPECT
Lea County, New Mexico

Gentlemen:

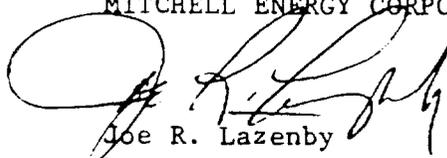


This will reference our telephone conversation this date confirming Mitchell Management approval of the farmout terms set out in your letter of October 8, 1987. The approval of the terms, as discussed, is based on the farmout acreage being committed to the 324.08 acre working interest unit described as Lots 1, 2, 3, 4 and the S/2 N/2 Section 3, T-15-S, R-35-E (N/2 Section 3).

An early response regarding ARCO's decision to farmout or participate in the proposed test well would be appreciated.

Very truly yours,

MITCHELL ENERGY CORPORATION



Joe R. Lazenby
District Landman

JRL/jm