

BJORK • LINDLEY • LITTLE • PC

LAWYERS

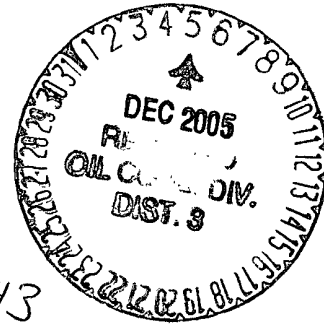
PETER A. BJORK[†]
LAURA LINDLEY
DAVID R. LITTLE
KURT M. PETERSEN
ROBERT C. MATHES^{†*}
DARIN B. SCHEER[†]
KATHLEEN S. CORR
JILL D. CANTWAY
CHRISTOPHER G. HAYES^{*}
ANN M. EASTBURN^{*}

*Of Counsel
*Special Counsel
*Also admitted in Wyoming
*Also admitted in the District of Columbia

November 30, 2005

Via Overnight Mail

Mr. Jesus Villalobos
President
Petro Mex LLC
P.O. Box 6724
Farmington, NM 87499



Re: Bob and Blanche No. 1 Spill

30-045-24743

Dear Mr. Villalobos,

We represent Richardson Operating Company ("Richardson") in connection with the Bob and Blanche No. 1 well ("Well") located in San Juan County, New Mexico. If you are represented by an attorney, we ask that you immediately forward a copy of this letter to your counsel and provide us with their contact information so we may communicate with them directly.

As you know, Richardson assigned, conveyed, and quitclaimed 100% of its interest in the Well and certain other wells to Petro Mex LLC ("Petro Mex") in the attached Assignment, Conveyance, Quit-Claim and Bill of Sale ("Assignment"), dated **June 8, 2005**, but effective **June 1, 2005**. Due to the delay by Petro Mex in posting the required bond,¹ the Change of Operator reflecting this Assignment was not approved by the New Mexico Oil Conservation Division ("OCD") until September 1, 2005. However, the Change of Operator had an effective date of **June 8, 2005**, concurrent with the date of the Assignment. A copy of the Change of Operator is enclosed for your convenience.

As you are aware, due to apparent intentional vandalism by an unknown party, a discharge occurred from the Well on or about **June 18, 2005** (the "Incident"), during the period

¹ Pursuant to the terms of the letter agreement conveying the Well ("Letter Agreement"), dated June 8, 2005, Petro Mex represented that it was a bonded operator in New Mexico, and agreed to furnish evidence of such bonding to Richardson on or before June 15, 2005. Although Petro Mex immediately began exercising the privileges of ownership under the Letter Agreement by selling certain assets conveyed by the Assignment, Petro Mex failed to provide evidence of sufficient bonding until late August 2005, despite repeated requests by Richardson.

after the effective date of the Assignment and after the effective date of the Change of Operator, but prior to the final approval of the Change of Operator by the OCD. Pursuant to the effective date of the Assignment and the effective date of the Change of Operator, Petro Mex is solely liable for the Incident as owner and operator of the Well.

Nevertheless, because the Incident occurred during the period in which Richardson was still operating the Well as contract operator for Petro Mex while awaiting final approval of the Change of Operator by the OCD, Richardson undertook the initial response to the Incident and began containment and remediation procedures immediately in the interest of protecting the public and maintaining a good relationship with the OCD on behalf of both Richardson and Petro Mex. However, while Richardson initiated the remediation response on behalf of Petro Mex as a good corporate citizen and because it was still the operator of record with the OCD pending approval of the Change of Operator, those actions in no way waived or diminished Richardson's right to seek full reimbursement of these remediation costs from Petro Mex as the actual owner of the Well and sole responsible party.

This letter confirms Richardson's understanding that Petro Mex is solely responsible for all liabilities associated with the Incident, including the responsibility to reimburse Richardson for all remediation costs incurred to date on behalf of Petro Mex in connection with the Incident. Although Richardson was willing to incur the initial costs on behalf of Petro Mex in an attempt to limit the amount of damage from the incident, the time has come for Petro Mex to fulfill its existing reimbursement obligation and its ongoing remediation responsibilities with regard to the Well.

Richardson has kept Petro Mex fully apprised of this situation from the very beginning, transferring all files in Richardson's possession pertaining to the Well and writing and calling Petro Mex repeatedly over the last several months to update you on the status of the remediation efforts. Richardson now respectfully requests that Petro Mex fulfill its reimbursement obligation by repaying Richardson **on or before December 9, 2005**, ("Repayment Deadline") the total amount of **\$89,159.04**, representing the costs incurred to date by Richardson on behalf of Petro Mex in response to the Incident. Copies of any invoices not previously provided to Petro Mex for these services will be forwarded shortly.

Richardson also respectfully requests that Petro Mex send a letter to the OCD **by December 6, 2005** ("OCD Notification Deadline"), acknowledging that Petro Mex was the owner of the Well on the date of the Incident based on the effective date of the Assignment, and is therefore solely responsible for any and all liabilities arising from the ownership and operation of the Well on the date of the Incident. Richardson will also expect Petro Mex to timely forward copies of any additional correspondence between the OCD and Petro Mex regarding this Well.

As you know, Envirotech, the environmental consulting company hired on behalf of Petro Mex, has prepared a proposed abatement plan which is currently undergoing public review, and the OCD will begin its formal review of that proposed abatement plan within a few weeks. Petro Mex needs to enter into a formal contract with Envirotech as the party responsible for the

ongoing abatement work. Please provide Richardson with a copy of the executed contract between Petro Mex and Envirotech **no later than December 9, 2005**. Richardson will also expect Petro Mex to timely forward copies of any additional correspondence between Envirotech and Petro Mex regarding this Well.

Finally, you have indicated your intention to submit a claim to your insurance company regarding the Well. Please provide written evidence that you have filed such a claim **no later than December 9, 2005**, together with copies of all correspondence to date between Petro Mex and any insurance company regarding the Well. Richardson will also expect Petro Mex to timely forward copies of any additional correspondence between the Petro Mex and its insurer regarding this Well.

Richardson appreciates your willingness to honor your responsibilities with regard to the Well, and looks forward to putting this issue to rest and moving forward with future business dealings with both Petro Mex and the State of New Mexico. However, if Petro Mex fails or refuses to meet the Repayment Deadline and/or the OCD Notification Deadline, Richardson will have no other choice but to take further action to enforce its right to reimbursement and to establish Petro Mex's liability for the costs incurred in this matter.

If you have any questions or require additional information regarding this matter, please do not hesitate to have your attorney contact our office.

Sincerely,

BJORK LINDLEY LITTLE PC

A handwritten signature in black ink, appearing to read 'D. Scheer', with a stylized flourish at the end.

Darin B. Scheer

cc: Roger Anderson
Glenn Von Gonten
Denny Foust
Brian Harrington
Client

**ASSIGNMENT, CONVEYANCE, QUIT-CLAIM
AND BILL OF SALE**

KNOW ALL MEN BY THESE PRESENTS, that RICHARDSON OPERATING COMPANY and RICHARDSON PRODUCTION COMPANY, with offices at 5600 South Quebec, Suite 130B, Greenwood Village, CO 80111 (hereinafter referred to as "Assignor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other adequate consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby SELL, TRANSFER, ASSIGN, SET OVER QUIT-CLAIM and CONVEY unto PETRO MEX LLC, whose address is Post Office Box 6724, Farmington, NM 87499 (hereinafter referred to as "Assignee"), all of Assignor's right, title and interest in and to the wellbores (hereinafter referred to as "Subject Wells") more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof. It is the intent of Assignor to convey to Assignee the well equipment, casing, tubing, pumps, motors, valves, fixtures, supplies, and leasehold interests (if any) which are appurtenant to or associated with the Subject Wells. This Assignment, Conveyance and Bill of Sale is made AS IS, WHERE IS, WITHOUT WARRANTY OF MERCHANTABILITY, CONDITION OR FITNESS FOR A PARTICULAR PURPOSE, EITHER EXPRESS OR IMPLIED.

Assignee shall assume full responsibility for the Subject Wells assigned hereunder and shall indemnify and hold Assignor harmless from and against any and all claims, demands, causes of action, liabilities and losses arising out of or in connection with or resulting from or through Assignee's ownership of the assigned Subject Wells including, but not limited to, the plugging and abandonment of the Subject Wells, acquisition of oil and gas leases covering lands committed to the Subject Wells and any necessary environmental remediation.

This Assignment, Conveyance, Quit-Claim and Bill of Sale is made subject to that certain Letter Agreement by and between Assignor and Assignee dated June 8, 2005, a copy of which may be obtained by interested persons by written request delivered to either of the parties hereto.

TO HAVE AND TO HOLD the Subject Wells unto Assignee, its successors and assigns forever.

The terms and conditions of this Assignment shall extend to and be binding upon the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, Assignor and Assignee have executed this document on this 8th day of June, 2005, to be effective as of June 1, 2005 at 7:00 a.m., Mountain Time.

ASSIGNOR:

RICHARDSON OPERATING COMPANY

By: David B. Richardson
David B. Richardson, President

RICHARDSON PRODUCTION COMPANY

By: David B. Richardson
David B. Richardson, President

ASSIGNEE:

PETRO MEX, LLC

By: Josue Villalobos
Name: Josue Villalobos
Title: President



(Acknowledgments Attached)

200516458 09/09/2005 01:05P
1of3 B1417 P441 R 13.00 D 0.00
San Juan County, NM Clerk FROM RECORDED

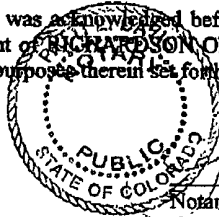
ACKNOWLEDGEMENTS

STATE OF COLORADO)

COUNTY OF DENVER) §

The foregoing instrument was acknowledged before me this 8th day of June, 2005, by David B. Richardson, as President of RICHARDSON OPERATING COMPANY, on behalf of said corporation for the uses and purposes therein set forth.

My Commission Expires:

3-11-2008

Notary Public

STATE OF COLORADO)

COUNTY OF DENVER) §

The foregoing instrument was acknowledged before me this 8th day of June, 2005, by David B. Richardson, as President of RICHARDSON PRODUCTION COMPANY, on behalf of said corporation for the uses and purposes therein set forth.

My Commission Expires:

3-11-2008

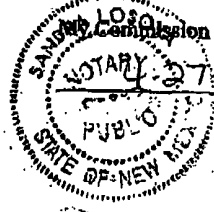
Notary Public

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN) §

The foregoing instrument was acknowledged before me this 21st day of June, 2005, by Jesus Villalobos, on behalf of PETRO MEX, LLC for the uses and purposes therein set forth.

My Commission Expires:

4-27-09

Notary Public

Sandra Losoya
Notary Public

200516458 09/09/2005 01:05P
2of3 B1417 P441 R 13.00 D 0.00
San Juan County, NM Clerk FRANK HANSEN

EXHIBIT "A"

Attached to and made a part of that certain Assignment, Conveyance, Quit-Claim and Bill of Sale
dated June 8, 2005

ROPCO ID	WELL NAME	API	QQ	LOC	SEC	TWP	RGE
NM-018-001	FRUITLAND #1	30-045-24972	I	NESE	3	29N	15W
NM-018-002	FRUITLAND #3	30-045-25916	J	NWSE	3	29N	15W
NM-019-001	KIRTLAND #01	30-045-23470	A	ENE	13	29N	15W
NM-019-002	KIRTLAND #02	30-045-23677	B	WNE	13	29N	15W
NM-019-004	KIRTLAND #04	30-045-23716	E	WNW	18	29N	14W
NM-019-005	KIRTLAND #05	30-045-24304	J	WSE	12	29N	15W
NM-019-006	KIRTLAND #06	30-045-24448	C	ENW	13	29N	15W
NM-019-007	KIRTLAND #07	30-045-24486	D	WNW	13	29N	15W
NM-019-008	KIRTLAND #08	30-045-25028	O	SSE	11	29N	15W
NM-019-009	KIRTLAND #09	30-045-25029	K	ESW	12	29N	15W
NM-019-010	KIRTLAND #10	30-045-25027	M	Lot 4	7	29N	14W
NM-019-011	KIRTLAND #11	30-045-25306	C	ENW	18	29N	14W
NM-019-014	KIRTLAND 18 #3	30-045-23738	B	NNE	18	29N	14W
NM-019-017	MOORE #1	30-045-24742	E	SNW	12	29N	15W
NM-019-012	KIRTLAND 14 #1	30-045-25922	A	NE	14	29N	15W
NM-019-013	KIRTLAND 18 #1	30-045-26203	A	N/2	18	29N	14W
NM-019-018	BOB & BLANCHE #1	30-045-24743	L	WSW	12	29N	15W
NM-019-018	TRS-EVI #1	30-045-24833	H	SNE	11	29N	15W
NM-019-018	DOROTHY #1	30-045-24262	I	NSE	11	29N	15W

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San Juan County, NM Clerk From HowardDot

District III

1000 Rio Brazos Rd., Aztec, NM
87410State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505Form C-104A
Permit 15219

Change of Operator

Previous Operator Information

OGRID: 19219
Name: RICHARDSON OPERATING CO
Address: 3100 La Plata Highway
Address:
City, State, Zip: Farmington, NM 87401

New Operator Information

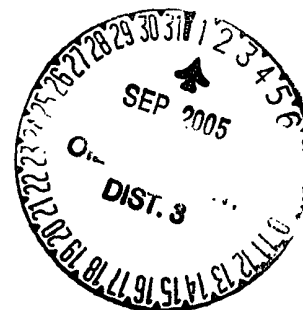
Effective Date: 06/08/2005
OGRID: 236452
Name: PETRO MEX LLC
Address: PO Box 6724
Address:
City, State, Zip: Farmington, NM 87499

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Previous Operator

Signature: Tom Bergin
Printed Name: Tom Bergin
Title: ops mgr
Date: 9-1-05 Phone: 307-330-7999

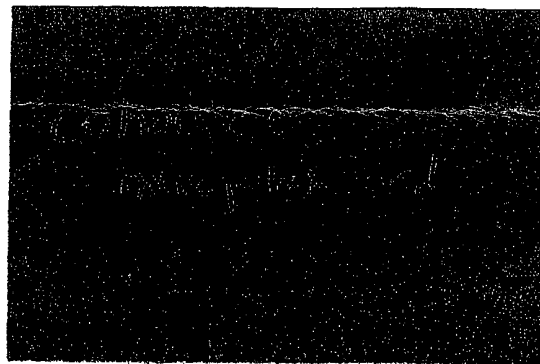
New Operator

Signature: Jesus Villalobos
Printed Name: Jesus Villalobos
Title: President
Date: 9-1-05 Phone: (505) 632-5948

From Operator: RICHARDSON OPERATING CO, 19219
To Operator: PETRO MEX LLC, 236452
Wells Selected for Transfer, Permit 15079
Permit Status: REVIEW

OCD District: Aztec

Property	Well Name	Lease Type	ULSTR	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Add Bond
30914	BOB BLANCHE #001	P	L-12-29N-15W	L	30-045-24743	O	11880	CHA CHA GALLUP	12/04	
30912	DOROTHY #001	P	L-11-29N-15W	I	30-045-24262	O	11880	CHA CHA GALLUP	12/04	
23856	FRUITLAND #001	P	L-3-29N-15W	I	30-045-24972	O			11/01	
23857	KIRTLAND #001	P	A-13-29N-15W	A	30-045-23470	G			07/02	
	KIRTLAND #002	P	B-13-29N-15W	B	30-045-23677	O			08/01	
	KIRTLAND #004	P	S-18-29N-14W	E	30-045-23716	O			12/04	
	KIRTLAND #005	P	L-12-29N-15W	J	30-045-24304	O			12/04	
	KIRTLAND #006	P	C-13-29N-15W	C	30-045-24448	O			07/02	
	KIRTLAND #007	P	D-13-29N-15W	D	30-045-24466	G			04/99	
	KIRTLAND #008	P	O-11-29N-15W	O	30-045-25028	G			04/99	
	KIRTLAND #009	P	K-12-29N-15W	K	30-045-25029	G			06/99	
	KIRTLAND #010	P	4-7-29N-14W	M	30-045-25027	O			12/04	
	KIRTLAND #011	P	3-18-29N-14W	C	30-045-25306	O			01/99	
23858	KIRTLAND 14 #001	P	A-14-29N-15W	A	30-045-25922	O	11880	CHA CHA GALLUP	12/04	
23859	KIRTLAND 18 #001	P	L-18-29N-14W	A	30-045-26203	O	11880	CHA CHA GALLUP	12/04	
	KIRTLAND 18 #003	P	2-18-29N-14W	B	30-045-23736	O			06/02	
30915	MOORE #001	P	E-12-29N-15W	E	30-045-24742	O			06/02	
30913	TRS-EVT #001	P	H-11-29N-15W	H	30-045-24633	O	11880	CHA CHA GALLUP	12/04	



Patti L. Davis

From: OCD Online System Administrator [ocdonline@state.nm.us]
Sent: Thursday, September 01, 2005 6:13 PM
To: pdavis@richardsonoil.com
Subject: Operator Change

OCD has given final approval to the following Operator Change:

From: RICHARDSON OPERATING CO, 19219
To: PETRO MEX LLC, 236452

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