



**MATRIX**  
PRODUCTION  
COMPANY

5725 Commonwealth Boulevard  
Sugar Land, Texas 77479  
Phone 281-265-1212  
Fax 281-265-1778

August 17, 2004

*Via Certified/Return Receipt Mail*

Land Services, Inc.  
2310 SW 89<sup>th</sup> Street, Suite E  
Oklahoma City, OK 73159

Re: Townsend #1-A Well  
Township 13 South, Range 38 East  
Section 10: 530' FNL & 330' FEL  
Lea County, New Mexico

Gentlemen:

Matrix New Mexico Operating Company, LLC proposes the drilling of the Townsend #1-A well as a 9,800' Wolfcamp test at the captioned location. Our records indicate that Land Services, Inc. holds record title to certain mineral interests located in the E/2 Section 10-13S-38E, though we believe the subject leases may have been assigned to Sunlight Exploration, Inc. As record title holder, please find enclosed an Authority for Expenditure related to the proposed well for your review.

If you desire to participate in the drilling of the above well, please execute and return one copy of the enclosed AFE so indicating your election. Upon receipt of your election to participate, an Operating Agreement will be sent to you for your review and acceptance. If you do not wish to participate in the drilling of this well, Matrix will consider acquiring your interest under mutually acceptable terms. Please do not hesitate to call if you have any questions concerning the enclosed.

Yours truly,

Fred C. Bryla  
Vice President

Enclosures

cc: Mr. Chris Bright, Sunlight Exploration, Inc.

Hearing Date: November 18, 2004

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case Nos. 13352 Exhibit No. 3  
Submitted by:  
Matrix Production Company

**J.W.MULLOY ASSOCIATES, INC***Engineering & Consulting***508 West Wall #100****Midland, Texas 79701****Phone: (915) 687-0323 Fax: (915) 686-7224**

**Operator:** Matrix New Mexico Operating Company, LLC  
**Location:** 530 FNL & 330 FEL Sec 10 T13S R38E  
**Field:** Bronco (Wolfcamp)

**Well Name:** Townsen #1-A  
**County:** Lea  
**Formation:** Wolfcamp

**Date:** 8/10/2004**State:** New Mexico**Depth:** 9,800

Code	DRILLING	Time in days:	28	Tangible	Intangible	Total Cost
D1	Survey, Build Site, Road & Surface Damages				\$25,000	\$25,000
D5	Surface Casing	13 3/8 ", 450 '@	\$27.00 per foot	\$12,150		\$12,150
D6	Cement, Accessories & Service				\$10,000	\$10,000
D7	Protective Casing	8 5/8 ", 4,500 '@	\$20.00 per foot	\$90,000		\$90,000
D8	Cement Accessories & Service				\$20,000	\$20,000
D13	Casing Heads, Valves & Fittings			\$5,500		\$5,500
D14	Mud, Water, Oil & Chemicals				\$40,000	\$40,000
D15	Mud Hydrocarbon Logging	10 days @	\$750.00 per day		\$7,500	\$7,500
D17	Electrical Logging				\$15,000	\$15,000
D18	Daywork On Contract	3 days @	\$7,200.00 per day		\$21,600	\$21,600
D19	Footage On Contract	9800 feet @	\$25.00 per foot		\$245,000	\$245,000
D23	Special Tools, Bits & Rentals				\$15,000	\$15,000
D24	Supervision, Engineering	30 days @	\$750.00 per day		\$22,500	\$22,500
D25	Supervision, Geological	10 days @	\$750.00 per day		\$7,500	\$7,500
D26	Drilling Overhead	1 month @	\$5,000.00 per mo		\$5,000	\$5,000
D27	Misc. Services, Supplies & Labor @ 10%			\$11,000	\$43,500	\$54,500
<b>Total Drilling Costs</b>				<b>\$118,650</b>	<b>\$477,600</b>	<b>\$596,250</b>

**ABANDONMENT**

Cost To Abandon	\$20,000
<b>Total Dry Hole Costs</b>	<b>\$477,600</b>

**COMPLETION**

	Time in days:	10				
C1	Production Casing/Liner	5 1/2 ", 9,800 '@	\$12.50 per foot	\$122,500		\$122,500
C2	Cement, Accessories & Service w/Hanger				\$20,000	\$20,000
C3	Casing Heads, Valves & Fittings			\$5,000		\$5,000
C4	Packers, Accessories & Service				\$3,000	\$3,000
C5	Production Tubing	2 3/8 " 9,800 '@	\$4.20 per foot	\$41,160		\$41,160
C6	Perforating Service & Logs				\$3,500	\$3,500
C7	Treating Services & Supplies				\$12,500	\$12,500
C8	Well Servicing Rig	10 days @	\$2,500.00 per day		\$25,000	\$25,000
C9	Artificial Lift Facilities w/rods, pump & accessories				\$75,000	\$75,000
C10	Supervision, Engineering	12 days @	\$750.00 per day		\$9,000	\$9,000
C11	Special Tools, Bits & Rentals				\$5,000	\$5,000
C12	Misc. Services, Supplies & Labor @ 10%			\$17,000	\$15,300	\$32,300
<b>Total Completion Cost</b>				<b>\$185,660</b>	<b>\$168,300</b>	<b>\$353,960</b>

**LEASE FACILITIES**

	Time In Days:	5				
F1	Build Site & Road				\$2,000	\$2,000
F2	Tanks & Accessories			\$15,000		\$15,000
F4	Heaters, Treaters & Accessories			\$5,000		\$5,000
F5	Line Pipe, Flow & Other			\$2,500		\$2,500
F6	Valves & Fittings			\$10,000		\$10,000
F7	Supervision, Engineering	4 days @	\$750.00 per day		\$3,000	\$3,000
F8	Misc. Services, Supplies & Labor			\$3,000	\$4,000	\$7,000
<b>Total Lease Facilities Cost</b>				<b>\$35,500</b>	<b>\$9,000</b>	<b>\$44,500</b>

**SUMMARY OF COST**

Drilling Cost	\$118,650	\$477,600	\$596,250
Completion Cost	\$185,660	\$168,300	\$353,960
<b>Total</b>	<b>\$304,310</b>	<b>\$645,900</b>	<b>\$950,210</b>
Lease Facilities Cost	\$35,500	\$9,000	\$44,500
<b>GRAND TOTAL COST</b>	<b>\$339,810</b>	<b>\$654,900</b>	<b>\$994,710</b>

**Approval:**

Company \_\_\_\_\_ (This AFE is an estimate only-Invoicing will be on actual cost.)

By: \_\_\_\_\_

Name/Title: \_\_\_\_\_ Date \_\_\_\_\_

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(Endorse)

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Attn: Chris Bright  
Sunlight Exploration, Inc.  
1415 23<sup>rd</sup> Street  
Canyon, TX 79015

800-655-7183

8-17-04

PS Form 3800, June 2002

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

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.

Article Addressed to:

Attn: Chris Bright  
Sunlight Exploration, Inc.  
1415 23<sup>rd</sup> Street  
Canyon, TX 79015

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1C? ☐ Yes

If YES, enter delivery address below ☐ No

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☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery / (Extra Fee)

☐ Yes

Article Number

(Transfer from service label)

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Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540



**MATRIX**  
PRODUCTION  
COMPANY

5725 Commonwealth Boulevard  
Sugar Land, Texas 77479  
Phone 281-265-1212  
Fax 281-265-1778

August 26, 2004

*Via Certified/Return Receipt Mail*  
*Re-mailed to Correct Address*

Mr. Leroy Townsend  
7650 East Vista Drive  
Scottsdale, AZ 85250

Re: Townsend #1-A Well  
Township 13 South, Range 38 East  
Section 10: 530' FNL & 330' FEL  
Lea County, New Mexico

Dear Mr. Townsend:

Matrix New Mexico Operating Company, LLC proposes the drilling of the Townsend #1-A well as a 9,800' Wolfcamp test at the above captioned location. Our records indicate that you own a 0.555556% mineral ownership in the E/2 Section 10-13S-38E under the proposed well. Our records further indicate that Matrix New Mexico Holdings, LLC, through its representative, Mr. Randy Watts, has made several written offers to lease your minerals in this area without success. As an unleased mineral owner in the land set forth above, you have the right to participate directly in the drilling of the proposed well by paying your prorata share of the actual well drilling, completion, and operating costs.

If you desire to participate in the drilling of the above well, please execute and return one copy of the enclosed Authority For Expenditure so indicating your election. Upon receipt of your election to participate, an Operating Agreement will be sent to you for your acceptance and you will be invoiced for your share of the anticipated well cost (\$5,526.17). If you do not wish to participate in the cost of drilling of this well, Matrix will be willing to lease your minerals under the terms previously provided (providing to you a royalty, without any cost obligation). If you have any questions concerning the enclosed, or wish to lease your minerals, please feel free to contact Randy Watts at 505-622-5300.

Yours truly,

Fred C. Bryla  
Vice President

Enclosures

cc: Randy Watts

**J.W.MULLOY ASSOCIATES, INC.***Engineering & Consulting*

508 West Wall #100

Midland, Texas 79701

Phone: (915) 687-0323 Fax: (915) 686-7224

Operator: Matrix New Mexico Operating Company, LLC  
 Location: 530 FNL & 330 FEL Sec 10 T13S R38E  
 Field: Bronco (Wolfcamp)

Well Name: Townsen #1-A  
 County: Lea  
 Formation: Wolfcamp

Date: 8/10/2004  
 State: New Mexico  
 Depth: 9,800

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						<b>\$596,250</b>

**ABANDONMENT**

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<b>Total Dry Hole Costs</b>		<b>\$477,600</b>
		<b>\$616,250</b>

**COMPLETION**

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						<b>\$353,960</b>

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**Approval:**

Company \_\_\_\_\_ (This AFE is an estimate only-Invoicing will be on actual cost.)

Signature \_\_\_\_\_

Name/Title: \_\_\_\_\_ Date \_\_\_\_\_

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Mr. Leroy Townsend  
7650 East Vista Drive  
Scottsdale, AZ 85250

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Street, Apt.  
or PO Box No.

City, State, ZIP+4

PS Form 3800, June 2002

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

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.

Article Addressed to

Mr. Leroy Townsend  
7650 East Vista Drive  
Scottsdale, AZ 85250

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *Leroy Townsend* ☐ Agent ☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

*Leroy Townsend* *9/1*

D. Is delivery address different from item 1? ☐ Yes ☒ No

If YES, enter delivery address below

3. Service type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☒ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery (Extra Fee)

☐ Yes

Article Number

(Transfer from service label)

7003 1010 0000 8865 7127

Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

**61000****ASSIGNMENT OF OIL, GAS AND MINERAL LEASE****THE STATE OF NEW MEXICO  
COUNTY OF LEA**

WHEREAS, on the 24th day of March 2003, Cogent Exploration, Ltd., whose mailing address is 804 Park Harvey Center, 200 North Harvey, Oklahoma City, Oklahoma 73102; Nelson Engineering Corp. and Land Services, Inc., whose address's are 2310 SW 89<sup>th</sup>, Ste E, Oklahoma City, Oklahoma 73159, as "SELLERS", entered into an agreement to sell, and Sunlight Exploration, Inc., whose mailing address is 1415 23<sup>rd</sup> Street, Canyon, Texas 79015, as "BUYER", entered into an agreement to purchase certain lands located in Lea County New Mexico described more fully on the attached exhibit "A".

WHEREAS, the certain lands located in Lea County, New Mexico and described on the attached Exhibit "A" which, are subject to the March 24<sup>th</sup> agreement, are currently owned by Land Services, Inc.

NOW THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) in hand paid cash, the receipt and sufficiency of which is hereby acknowledged and other good and valuable consideration, Land Services, Inc. as "Assignor" does hereby grant, bargain, sell, transfer, assign and convey all Right, Title and Interest, in and to the above described leases and the leasehold estate thereby created, to Sunlight Exploration, Inc., as "Assignee", SAVE AND EXCEPT, as an overriding royalty interest, being the difference between the Currently Existing Lease Burdens and a seventy-five (75%) percent Net Revenue Interest, per mineral acre, in such leases. . This Sale of said leases and prospect being further subject to a 25% project back-in after payout with the option to convert at any time. In addition this assignment and any reassignment(s) of this instrument is made subject to all of the terms and conditions of that certain unrecorded letter agreement dated March 24, 2003 between Cogent Exploration, Ltd. Co., Nelson Engineering Corp. Land Services, Inc. and Sunlight Exploration, Inc.

TO HAVE AND TO HOLD the said interests, property and rights unto the said assignee and their respective heirs, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 6th  
day of April 2003.

BOOK 1325 PAGE 492

Hearing Date: November 18, 2004

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New MexicoCase Nos. 13357 Exhibit No. 3

Submitted by:

Matrix Production Company

## Assignor:

Land Services, Inc

  
Terry Brooks, President

## Assignee:

Sunlight Exploration, Inc.

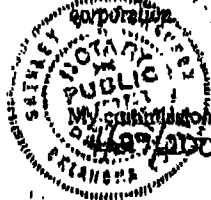
  
Chris Bright, President

## Acknowledgements

STATE OF OKLAHOMA

COUNTY OF Cherokee

This instrument was acknowledged before me on the 16<sup>th</sup> day of April, 2004, by Terry Brooks, President, of Land Services, Inc., a corporation, on behalf of said corporation.

  
NOTARY PUBLIC  
#02006316

STATE OF TEXAS

COUNTY OF RANDALL

~~2004~~ This instrument was acknowledged before me on the 17<sup>th</sup> day of August, 2003, by Chris Bright, President of Sunlight Exploration, Inc., a corporation, on behalf of said corporation.

My commission expires: 1-17-2006  
NOTARY PUBLIC



**EXHIBIT "A"**

This Exhibit "A" is attached hereto and made a part hereof to that certain Assignment of Oil and Gas Leases dated the 6<sup>th</sup> day of April, 2003, between Land Services, Inc., as Assignor, and Sunlight Exploration, Inc., Partnership, as Assignee.

**The East Half, (E/2) Section 10, Township 13 South, Range 38 East, Lea County, New Mexico**

<b>BOOK/PAGE:</b>	1223/331
<b>LESSOR:</b>	Phillip Hillhouse, successor in interest to George M. Shelton, deceased and Helen Shelton Tantalio, deceased
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	April 9, 2003
<b>DESCRIPTION:</b>	The East Half, (E/2)
<b>BOOK/PAGE:</b>	1220/327
<b>LESSOR:</b>	Thomas Allan Hoffman, a married man dealing in his sole and separate property
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	April 1, 2003
<b>DESCRIPTION:</b>	The East Half, (E/2)
<b>BOOK/PAGE:</b>	1220/321
<b>LESSOR:</b>	Glenn Werhan and Mary Frances Werhan, husband and wife
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	April 4, 2003
<b>DESCRIPTION:</b>	The East Half, (E/2)
<b>BOOK/PAGE:</b>	1220/324
<b>LESSOR:</b>	Tressie E. Denton, sole heir of Travis F. Denton, deceased
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	April 2, 2003
<b>DESCRIPTION:</b>	The East Half, (E/2)
<b>BOOK/PAGE:</b>	1214/207
<b>LESSOR:</b>	Ruby Page, a married woman dealing in her sole & separate property
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	December 27, 2002
<b>DESCRIPTION:</b>	The East Half, (E/2)
<b>BOOK/PAGE:</b>	1209/395
<b>LESSOR:</b>	Robert Townsend, a married man dealing in his sole & separate property
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	December 18, 2002
<b>DESCRIPTION:</b>	The East Half, (E/2)
<b>BOOK/PAGE:</b>	1209/354
<b>LESSOR:</b>	U.S. Alexander, a married man dealing in his sole & separate property
<b>LESSEE:</b>	Land Services, Inc.
<b>DATED:</b>	October 16, 2002
<b>DESCRIPTION:</b>	The East Half, (E/2)

BOOK/PAGE: 1209/356  
LESSOR: Joyce A. Holder as Trustee of the Joyce Holder Trust created by Trust Agreement dated 9-13-91  
LESSEE: Land Services, Inc.  
DATED: November 5, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/388  
LESSOR: Vee K. Ross, as Trustee of the William G. Ross and Vee K. Ross Living Trust, a/k/a the Ross Family Trust, U/T/A dated March 9, 1990  
LESSEE: Land Services, Inc.  
DATED: January 7, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/407  
LESSOR: Jackie Lynn Townsend, a/k/a Jackie Strickland, a single woman  
LESSEE: Land Services, Inc.  
DATED: December 27, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/425  
LESSOR: Johnny Townsend, a married man dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: December 18, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/418  
LESSOR: Pat Alston Ward, dealing in her sole and separate property  
LESSEE: Land Services, Inc.  
DATED: January 13, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/403  
LESSOR: Western Commerce Bank, Agent for the Kirby D. Schenck Trusts, identified as Trust A-2, Trust B and Trust B-GST  
LESSEE: Land Services, Inc.  
DATED: November 14, 2002  
DESCRIPTION: The East Half, (E/2)

AS RATIFIED  
BOOK/PAGE: 1209/434

BOOK/PAGE: 1209/378  
LESSOR: Melvin Townsend, a married man dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: December 18, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/384  
LESSOR: Leon Paris, a single man  
LESSEE: Land Services, Inc.  
DATED: December 27, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/350  
LESSOR: Western Commerce Bank, Personal Representative of the Estate of Richard H. Power, a/k/a Richard Hollie Power, deceased  
LESSEE: Land Services, Inc.  
DATED: November 14, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1209/381  
LESSOR: Billie June Crow, Trustee of the Billie June Crow Trust under Trust Agreement dated July 13, 1998  
LESSEE: Land Services, Inc.  
DATED: November 14, 2002  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1223/334  
LESSOR: Viola Burk  
LESSEE: Land Services, Inc.  
DATED: April 1, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1234/391  
LESSOR: James Douglas Hillhouse, IV, successor in interest to George M. Shelton, deceased & Helen Shelton Tantalo, deceased  
LESSEE: Land Services, Inc.  
DATED: April 9, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1231/416  
LESSOR: Carol Ann Cantrell, Sharon Kay Patrick & C. Edward Oberholtzer, Jr., Successor co-trustees of the Connie Oberholtzer, Trust dated Nov. 10, 1976 as amended  
LESSEE: Land Services, Inc.  
DATED: April 21, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1231/419  
LESSOR: Dan Field, as his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: May 15, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1228/683  
LESSOR: Mike Field, as his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: May 15, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1231/422  
LESSOR: Mattie Field, dealing in her sole & separate property  
LESSEE: Land Services, Inc.  
DATED: May 15, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1230/297  
LESSOR: Pauline Denton  
LESSEE: Land Services, Inc.  
DATED: May 7, 2003  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1231/659  
LESSOR: Woodrow W. Carter, dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: 5/30/03  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1230/627  
LESSOR: Charlene Alexander Marr, married dealing in her sole & separate property  
LESSEE: Land Services, Inc.  
DATED: 5/27/03  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1231/414  
LESSOR: Robert Edward Alexander, married dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: 5/27/03  
DESCRIPTION: The East Half, (E/2)

BOOK/PAGE: 1233/483  
LESSOR: Janet Dallas, formerly Rogers, dealing in her sole & separate property  
LESSEE: Land Services, Inc.  
DATED: 5/27/03  
DESCRIPTION: The East Half, (E/2)

The West Half, (W/2) Section 14, Township 13 South, Range 38 East, Lea County, New Mexico

BOOK/PAGE: 1220/350  
LESSOR: Jim Cone as Executor of the Estate of Raymond Cone, a/k/a J.R. Cone, deceased  
LESSEE: Land Services, Inc.  
DATED: April 1, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1214/205  
LESSOR: Roderick Allen Markham, dealing in his sole and separate property  
LESSEE: Land Services, Inc.  
DATED: March 7, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1214/218  
LESSOR: Manon Markham McMullen, dealing in her sole and separate property  
LESSEE: Land Services, Inc.  
DATED: March 7, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1214/209  
LESSOR: R.R. Harrell Properties, Ltd., a Texas Limited Partnership  
LESSEE: Land Services, Inc.  
DATED: March 10, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1214/214  
LESSOR: David D. Griswold, Trustee of the David D. Griswold Revocable Trust dated August 14, 1998  
LESSEE: Land Services, Inc.  
DATED: January 15, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1214/212  
LESSOR: David Dwain Griswold, Trustee of the Elaine B. Flint f/b/o Eloise Ann Flint Griswold Trust dated August 21, 1971  
LESSEE: Land Services, Inc.  
DATED: January 15, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/391  
LESSOR: Wells Fargo Bank New Mexico, N.A. formerly known as Norwest Bank New Mexico, N.A., Trustee for The James Virgil Linsam Trust  
LESSEE: Land Services, Inc.  
DATED: February 12, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/386  
LESSOR: Jerry Haynes  
LESSEE: Land Services, Inc.  
DATED: February 7, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/364  
LESSOR: Joseph LeRoy Haynes, dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: January 28, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/397  
LESSOR: Bruce H.C. Hill, Individually and B.H.C.H. Mineral, Ltd. (Formerly known as B.H.C.H. Mineral Joint Venture)  
LESSEE: Land Services, Inc.  
DATED: January 31, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/420  
LESSOR: Pat Alston Ward, dealing in her sole and separate property  
LESSEE: Land Services, Inc.  
DATED: January 13, 2002  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/367  
LESSOR: Thelma A. Webber and Paye L. Klein Co-Trustees of The Thelma A. Webber Living Trust dated June 17, 1994  
LESSEE: Land Services, Inc.  
DATED: January 28, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/374  
LESSOR: Western Commerce Bank, a New Mexico Corporation, Trustee of the W.T. Reed Trust  
LESSEE: Land Services, Inc.  
DATED: January 10, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/370  
LESSOR: James Reed McCrory, dealing in his sole and separate property  
LESSEE: Land Services, Inc.  
DATED: January 10, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1209/428  
LESSOR: Western Commerce Bank, Agent for Kirby D. Schenck Trusts, identified as Trust A-2, Trust B and Trust B-GST  
LESSEE: Land Services, Inc.  
DATED: January 9, 2003  
DESCRIPTION: The West Half, (W/2)

AS RATIFIED  
BOOK/PAGE: 1209/431

BOOK/PAGE: 1209/422  
LESSOR: William Hardy Griswold, a/k/a William H. Griswold, dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: January 28, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1238/354  
LESSOR: Melissa Kay Griswold  
LESSEE: Land Services, Inc.  
DATED: January 13, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1223/342  
LESSOR: Larry Haynes, sole & separate property  
LESSEE: Land Services, Inc.  
DATED: March 27, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1228/677  
LESSOR: Louis Oliver Storm, III  
LESSEE: Land Services, Inc.  
DATED: April 11, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1223/337  
LESSOR: Roy G. Barton, Jr., Individually  
LESSEE: Land Services, Inc.  
DATED: April 21, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1223/337  
LESSOR: Roy G. Barton, Jr., Trustee  
LESSEE: Land Services, Inc.  
DATED: April 21, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1228/679  
LESSOR: Don and Betty Gourley  
LESSEE: Land Services, Inc.  
DATED: April 21, 2003  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: 1236/789  
LESSOR: Hazel Haynes Riffel, formerly known as Hogan  
LESSEE: Land Services, Inc.  
DATED: 6/4/03  
DESCRIPTION: The West Half, (W/2)

BOOK/PAGE: Unrecorded  
LESSOR: Betelgeuse Production  
LESSEE: Land Services, Inc.  
DATED: September 18, 2003  
DESCRIPTION: The North Half of the Northwest Quarter, (N/2 NW/4)

The Northeast Quarter, (NE/4) and the North Half of the Southeast Quarter, (N/2 SE/4)  
Section 15, Township 13 South, Range 18 East, Lea County, New Mexico

BOOK/PAGE: 1192/649  
LESSOR: Fay R. Power, Trustee of the Fay Power Trust created by Trust Agreement dated April 1, 1993  
LESSEE: Land Services, Inc.  
DATED: October 10, 2002  
DESCRIPTION: The Northeast Quarter, (NE/4)

BOOK/PAGE: 1192/653  
LESSOR: June D. Speight  
LESSEE: Land Services, Inc.  
DATED: October 30, 2002  
DESCRIPTION: The Northeast Quarter, (NE/4)

BOOK/PAGE: 1223/323  
LESSOR: Christmann Mineral Company, a Texas corporation  
LESSEE: Land Services, Inc.  
DATED: December 13, 2002  
DESCRIPTION: The North Half of the Southeast Quarter, (N/2 SE/4)

BOOK/PAGE: 1220/319  
LESSOR: C.D. Sands, a/k/a Charles D. Sands, a married man dealing in his sole & separate property  
LESSEE: Land Services, Inc.  
DATED: March 27, 2003  
DESCRIPTION: The North Half of the Southeast Quarter, (N/2 SE/4)

BOOK/PAGE: 1214/216  
LESSOR: Sally Rodgers, as her sole & separate property  
LESSEE: Land Services, Inc.  
DATED: November 27, 2002  
DESCRIPTION: The North Half of the Southeast Quarter, (N/2 SE/4)

BOOK/PAGE: 1209/346  
LESSOR: Herd Partners, Ltd.  
LESSEE: Land Services, Inc.  
DATED: January 2, 2003  
DESCRIPTION: The North Half of the Southeast Quarter, (N/2 SE/4)

BOOK/PAGE: 1209/409  
LESSOR: American State Bank a Successor Trustee of the J.M. Welborn Trust  
DATED: 9/23/92  
LESSEE: Land Services, Inc.  
DATED: January 15, 2003  
DESCRIPTION: The North Half of the Southeast Quarter, (N/2 SE/4)

BOOK/PAGE: 1209/358  
LESSOR: Alicia Louanne Christmann Shultz, a married woman dealing in her sole & separate property  
LESSEE: Land Services, Inc.

**DATED:** December 13, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/334  
**LESSOR:** Melanie Coll DeTemple, a married woman dealing in her sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** December 3, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/340  
**LESSOR:** Eric J. Coll, a married man dealing in his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** December 3, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/342  
**LESSOR:** Clarke C. Coll, a married man dealing in his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** December 3, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/332  
**LESSOR:** Jon F. Coll, II, a married man dealing in his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** December 3, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/330  
**LESSOR:** Max W. Coll, III, a married man dealing in his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** December 3, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/360  
**LESSOR:** Max W. Coll, II, as his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** November 27, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/338  
**LESSOR:** Charles H. Coll, as his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** November 27, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/336  
**LESSOR:** Jon F. Coll, a his sole & separate property  
**LESSEE:** Land Services, Inc.  
**DATED:** November 27, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)

**BOOK/PAGE:** 1209/344  
**LESSOR:** Fenner Tubbs, a single man  
**LESSEE:** Land Services, Inc.  
**DATED:** October 10, 2002  
**DESCRIPTION:** The North Half of the Southeast Quarter, (N/2 SE/4)



STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

AUG 26 2004

at 11:30 a'clock  
and entered in Book 155  
Page 492  
Melinda Hughes  
By

61000



## Agreement

This Agreement, made and entered into This 24<sup>th</sup> Day of March, 2003, by and between Cogent Exploration, Ltd., whose mailing address is 804 Park Harvey Center, 200 North Harvey, Oklahoma City, Oklahoma 73102; Nelson Engineering Corp. and Land Services, Inc., whose address's are 2310 SW 89<sup>th</sup>, Ste E, Oklahoma City, Oklahoma 73159, otherwise known as "Sellers" and Sunlight Exploration, Inc., whose mailing address is 1415 23<sup>rd</sup> Street, Canyon, Texas 79015, otherwise know as "Buyer".

Whereas, Sellers own certain leases in Southeast New Mexico associated with a prospect known as the Southwest Bronco Prospect, to wit:

East half (E/2) of Section 10, T13S, R38E.

Northeast quarter (NE/4) and the North half of the Southeast quarter (N/2 of SE/4) of section 15, T13S, R38E.

West half (W/2) of Section 14, T13S, R38E

Together comprising 880 acres, more or less, and all located in Lea County, New Mexico;

And Sellers wish to sell such prospect to Buyer, and;

Whereas, Buyer wishes to purchase from Sellers the certain leases contained in the Southwest Bronco Prospect at the price of \$400.00 per acre and a \$20,000.00 geological fee.

Now therefore, in consideration of the premises and the cash consideration setout above, it is agreed as follows;

Sunlight Exploration, Inc. shall purchase by assignment from Cogent Exploration, Ltd, Nelson Engineering Corp, and Land Services, Inc. all of their right, title, and interest, in and to such leases as comprise the Southwest Bronco Prospect, located in Southeast New Mexico for the sum of \$400.00 per net mineral acre on all leases which comprise such prospect, SAVE AND EXCEPT, as an overriding royalty interest, the difference between the Existing Lease Burdens and a 75% Net Revenue Interest, effectively transferring to Buyer a 75% Net Revenue interest, per net mineral acre, in such leases. This Sale of said leases and prospect being further subject to a 25% project back-in after payout with the option to convert at any time as specified herein. Additionally it is understood and agreed that the Sellers will have the same interest and back-in after payout on any other interest Buyer leases, farms-in, force-pools or otherwise acquires in this AMI. As further consideration, Buyer agrees to pay to Sellers, a geological fee on said prospect of \$20,000.00.

Sellers agree to assist Buyer in the smooth transition of said property by furnishing to buyer, copies of all leases, title and curative, and legal and/or title opinions, which Seller may have, or had prepared in connection with the property. Sellers agree to assist in

preparation of any forced pooling, land work and title cleanup required prior to the date of first production.

The Area of mutual interest between the parties to this agreement shall be defined as, all of Section 10, west ½ of Section 11, all of section 14, all of section 15, 22 and 23 of Township 13 S range 38 E, in Lea County, New Mexico.

The term of this agreement shall begin at the date first shown above and shall continue in effect for so long as any of the now existing leases or any new leases taken by the parties herein on the prospect are still effective, including any extensions or renewals of any such leases.

Payout defined. Payout shall be deemed to have occurred when Buyer has received, from the sale of production generated by such prospect, an amount of gross income, less taxes, operating cost, production costs, drilling costs, completion costs, lease purchase costs, geological costs, and all other costs associated with the drilling, completing, testing, and equipping such leases for the production and sale of such production, an amount of net proceeds, which is equal to all actual expenses incurred. Sellers reserve the right at their expense to audit the books to the status of their pay-out account.

Back-in defined. Notwithstanding the above described definition of payout, Seller shall have the option, exercisable once during the life of this agreement, at the time of Sellers choosing, to receive 25% of the gross working interest, on a project basis, by paying to Buyer all of Sellers pay-out account defined as 25% of all costs associated with the drilling, testing, completing, equipping, reworking, producing, acquiring, geological costs, and all associated operational costs, on a project basis, less all income derived from the production and sale thereof. It is further agreed and defined that the three identified individual entities grouped as Sellers can act jointly or individually to their ownership of the 25% project back-in as defined Cogent Exploration, Ltd. Co.(.5) ½ of 25%, Nelson Engineering Corp. (.25) ¼ of 25% and Land Services, Inc.(.25) 1/4 of 25%. It shall be Seller's obligation to notify buyer of its exercising of this back-in option, and back-in shall occur and shall be effective as of the first day of the production month following written notification of Sellers intent to exercise said option. Notification shall not be retroactive, that is to say, notification shall express Seller's intent to back-in as of any date after date of notification.

In addition Buyer agrees that after production is established on any lands subject to this agreement, if Buyer sells this property, then Sellers have a right to be offered the same exact deal and simultaneously at closing pay off Seller or Sellers above defined pay-out account to Buyer and receive their pro-rata share of the sale. If Sellers either jointly or individually choose to not sell, then a copy of their payout account will be attached to the buy/sell agreement and their payout account status will remain unaffected by the sale of the property. No transfer or sale can effect or change the above defined definition of payout. Once back-in occurs all operations shall be on a "heads-up" basis and shall be conducted according to the terms and conditions of the attached Operating Agreement.

Upon such back-in, Buyer shall assign to Seller, and Seller shall accept from buyer, an assignment of 25% of the working interest in said prospect and associated leases.

This agreement cannot be changed or altered by the operating agreement or division order and any change that effects this agreement must be in writing and agreed to by all parties to this agreement. Sellers agree to execute the Operating Agreement attached to this document.

This agreement shall be binding upon all parties hereto and upon their heirs, executors, administrators, and/or assigns.

Effective as of the day and date first above written.

**Sellers:**

Cogent Exploration, Ltd.

By: 

Greg Wilson, Partner

Nelson Engineering Corp.

By: 

Jeff Nelson, President

Land Services, Inc.

By: 

Terry Brooks, President

**Buyer:**

Sunlight Exploration, Inc.

By: 

Chris Bright, President

# Sunlight Exploration, Inc.

**Exploration - Development - Operations - Wellsite Geology - Prospect Evaluation**  
**1415 23<sup>rd</sup> Street, Canyon TX 79015 806-655-7183**

September 3, 2003

Fred Bryla  
Matrix Production Company  
5725 Commonwealth Blvd.  
Sugar Land, Texas 77479

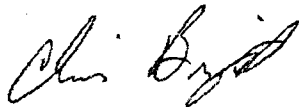
Re: Townsend #1-A Well  
Township 13 South, Range 38 East  
Section 10: 530' FNL & 330' FEL  
Lea County, New Mexico

Dear Mr. Bryla,

Sunlight Exploration, Inc. and its assigns would entertain the possibility of a farm-out on the above described lands. The general terms of an acceptable proposal would be as follows:

- 1) Net 75% Revenue Interest
- 2) Wolfcamp rights only
- 3) 25% backin after payout
  - a) Matrix to provide monthly accounting as to payout status.
- 4) Access to all data, including but not limited to
  - a) all logs and tests (4 hard copies, 1 LAS, 1 TIFF)
  - b) drilling floor
  - c) daily reports
  - d) all regulatory reports
- 5) Produce to earn (assignment delivered on 1st production month)
- 6) Acreage included in the farm-out would comprise 40 acres containing the above referenced location.
- 7) Term - 180 Days

If the above general terms would be acceptable for your needs, please contact Sunlight and we will begin drafting an agreement.



Chris Bright,  
Sunlight Exploration, Inc.

**Fred Bryla**

---

**From:** Fred Bryla [fbryla@matrix-companies.com]

**Sent:** Tuesday, August 24, 2004 4:11 PM

**To:** Chris Bright (chris@sunlightexp.com)

**Subject:** Townsend AFE

Chris,

Thought this might be of interest in light of our conversation yesterday. I have now run a number of economics cases to quantify the cost of a standard New Mexico force pooling structure (cost recovery plus 200% penalty) on our economics for the Townsend 1A. Here are the assumptions and the associated numbers for your information:

Risked Reserves(8/8):	135 MBO, 205 MMCF
Initial Potential:	7500 BO/Mo, 6000 Mcf/Mo
Decimals:	100% WI / 80% NRI
Price Deck:	\$40 / \$4.00 Flat
LOE:	\$2,500/Mo
AFE:	\$1,000,000

Base Case - NPV10%      \$2,840M (No Burdens)

1) Force Pool - NPV10%      \$2,592M (Reversion to 0% interest at cost + 200% penalty)

2) 1/8 Back In - NPV10%      \$2,613M (Reversion at 100% payout)

3) 1/4 Back In - NPV10%      \$2,386M (Reversion at 100% payout)

As you can see from the above, the force pool looks like a 1/8 back-in for all practical purposes. Feel free to pass the above along to Greg and let me know if some kind of farm out with an 1/8 back-in works. In the alternative, perhaps we could work out some kind of sale of leasehold interest in the E/2 Sec 10 that may also work. As I mentioned, we have advised our New Mexico counsel to commence the required force pooling procedure for this location and you should see notice of this sometime next week.

Let me know how you would like to proceed.

Regards,

Fred Bryla  
281-265-1212  
[fbryla@matrix-companies.com](mailto:fbryla@matrix-companies.com)

9/3/2004

**Fred Bryla**

---

**From:** Chris Bright [chris@sunlightexp.com]  
**Sent:** Wednesday, October 08, 2003 4:34 PM  
**To:** Fred Bryla  
**Subject:** RE: Lea County Play

Fred,

This message is to acknowledge receipt of your letter. I appreciate your offer for a "swap" and I will be considering it. I will be out of town for the rest of this week and all of next week. When I get back we should talk.

Chris Bright, President  
Sunlight Exploration, Inc.  
1415 23rd Street  
Canyon, Texas 79015  
(806) 655-7183

-----Original Message-----

**From:** Fred Bryla [mailto:fbryla@matrix-companies.com]  
**Sent:** Wednesday, October 08, 2003 4:17 PM  
**To:** chris@sunlightexp.com  
**Subject:** Lea County Play

Chris,

I enjoyed speaking with you last week concerning our developing upper Wolfcamp play in Lea County. As we discussed, Matrix Production Company was responsible for initiating this play with the drilling of the Burrus #1 well located in Sec 22-12S-38E in late 2000 in concert with our then operating partner, Ricks Exploration (now Concho). Since that time, some 13 additional wells have been drilled (all but one are productive) and we continue to have a strong interest in the play as it evolves beyond sections 22, 23, 26, and 27 of 12S-38E (what we call the Trinity Field area).

As you know, Concho Oil & Gas has proposed the drilling of the Townsend 10 #1 well in Sec 10-13S-38E to test both the upper and lower Wolfcamp zones. This well is a significant step out from known production and comes on the heels of the recently drilled Harris #35-1 well (NESE Sec 35-12S-38E), an upper Wolfcamp dry hole, but successful lower Wolfcamp producer. While the Townsend certainly could be classified as a high risk well, Matrix intends to approve the proposed AFE to the full extent of its current 6.25% leasehold interest in the E/2 Sec 10. As discussed below, Matrix desires to increase its position in this well, to the extent possible, to as much as 35% working interest.

As we discussed, Matrix has been aggressively leasing in 12S and 13S of 38E for its own account as our AMI with Concho has expired. To date, Matrix has been holding some 30-40% working interest in each well drilled in the Trinity Field area and we would like not to exceed 50% of any given well as a rule. However, certain of our leasing activities have placed us in a 100% or near 100% leasehold position in areas we believe to be prospective as shown on the attached plat.

To the extent of interest to you, Matrix would propose a modest swap of interest (25%?) in certain of your leasehold position with a like swap of interest in one or more of the tracts we currently hold on an acre for acre basis as outlined on the attached plat thereby spreading risk while also increasing exposure to prospective drilling locations. Given the pending AFE for the Townsend well, we are most interested in discussing a swap involving the E/2 of Sec 10 which may work well for you to reduce your initial exposure while attempting to prove up your acreage further to the south. To the extent you are not interested in an acreage swap, we would also consider buying a 25% interest in the E/2 of Sec 10 for cash or some

11/17/2004

combination of cash and carry.

As I mentioned on the phone, to the extent you may be interested in pursuing any of the above, we would likely need to meet with you to work through a number of details including who would operate, form of operating agreement, as well as the appropriateness of an AMI, to name a few.

Please let me know what you think concerning the above. I look forward to hearing from you.

Regards,

Fred C. Bryla  
Vice President  
Matrix Production Company  
1650 Highway 6, Suite 120  
Sugarland, Texas 77478  
281-265-1212  
281-265-1778 fax  
[fbryla@matrix-companies.com](mailto:fbryla@matrix-companies.com)

11/17/2004

Message

Page 1 of 1

**Fred Bryla**

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**From:** Fred Bryla [fbryla@matrix-companies.com]  
**Sent:** Wednesday, August 18, 2004 3:05 PM  
**To:** Chris Bright (chris@sunlightexp.com)  
**Subject:** Lea County Play

Chris,

Good talking with you about the Wolfcamp play. Looking forward to hearing back from you on the Townsend AFE. By the way, as for the Townsend, the location has been staked and permitted and we should have our drilling title opinion completed in a week or two. We are also sitting on a footage drilling contract for two wells commencing sometime next month. Let me know if you would like us to talk with Greg Wilson.

Regards,

Fred Bryla  
Vice President  
Matrix Production Company  
5725 Commonwealth Blvd.  
Sugar Land, TX 77479  
281-265-1212  
281-265-1778 fax  
[fbryla@matrix-companies.com](mailto:fbryla@matrix-companies.com)

11/17/2004



Message

Page 1 of 1

**Fred Bryla**

---

**From:** Fred Bryla [fbryla@matrix-companies.com]  
**Sent:** Tuesday, August 24, 2004 4:11 PM  
**To:** Chris Bright (chris@sunlightexp.com)  
**Subject:** Townsend AFE

Chris,

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Initial Potential:	7500 BO/Mo, 6000 Mcf/Mo
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Price Deck:	\$40 / \$4.00 Flat
LOE:	\$2,500/Mo
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Base Case - NPV10%      \$2,840M (No Burdens)

1) Force Pool - NPV10%      \$2,592M (Reversion to 0% interest at cost + 200% penalty)

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3) 1/4 Back In - NPV10%      \$2,386M (Reversion at 100% payout)

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Let me know how you would like to proceed.

Regards,

Fred Bryla  
281-265-1212  
[fbryla@matrix-companies.com](mailto:fbryla@matrix-companies.com)

11/17/2004

Project Backin Payout

Total Expenses

Virgal Linam Lease	
Well No. 1	
Drilling, Completion, and LOE	(254,605.66)
Royalty	(95,040.35)
Taxes	(31,814.66)
Well No. 2	
Drilling, Completion, and LOE	(420,382.45)
Royalty	
Taxes	
Speight Lease	
Well No. 1	
Drilling, Completion, and LOE	(611,465.75)
Well No. 2	(86,600.74)
Total Income	
Virgal Linam Lease	
Well No. 1	380,161.50
Total to Payout	(1,119,748.11)

Statement as provided by Sunlight Exploration  
on October 8, 2004 as related to payout under  
Exploration Agreement dated March 24, 2003