

1ST
LETTER

CROSSLAND OIL & GAS

P O Box 600070

Dallas, Texas 75360

Phone 214-621-7763 Fax 214-363-5734

CERT MAIL

REC AUG. 8, 2003

Aug 7, 2003

MAILED

Mrs. Toni Woods
Magnum Hunter Resources Inc.
3500 William D. Tate Ave.
Suite 200
Grapevine, Texas 76051

0807-03

RE: Term Assignment

**Top of Morrow down to 11,730 Feet covering 31.80 net acres NE 1/4, W 1/2 SE 1/4 and NE1/4
SE1/4 of Section 27 Township 18 South, Range 29 East
Eddy County, New Mexico**

Dear Mrs. Toni Woods

Crossland Oil & Gas ("Crossland") hereby requests a Term Assignment from, Magnum Hunter Resources Inc. ("MHR") covering captioned lands (the "lands") under the following terms and conditions:

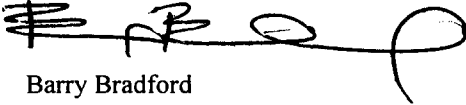
- (1) A one year term assignment in the E1/2 Section 27 as to the above described lands and depths, for bonus consideration of \$100.00 acre, and also providing for retention by MHR of an overriding royalty interest equal to the difference between 25% and existing burdens.
- (2) On or before the one year term terminates Crossland shall have the right to commence or cause to be commenced operation for the drilling of a test well ("Initial Test Well") at a legal location of its choice on the lands to an approximate depth sufficient to test the Morrow formation.
- (3) By drilling and completing the Initial Test Well as a well capable of producing oil and or gas in commercial quantities, Crossland shall earn an assignment of MHR rights, title and interest in and to governmental proration unit dedicated to the Initial Test Well. The Assignment shall be limited in depth from Top of Morrow to the stratigraphic equivalent of the total depth drilled with MHR retain an overriding royalty interest equal to the difference between 1/4 and all lease burdens.
- (4) In the event the Initial Test Well is Timely drilled to Contract Depth and is plugged and abandoned, Crossland shall have earned the option to commence similar test wells ("Subsequent Wells") at legal location of its choice on the balance of land within 120 days from drilling rig release of the previous well drilled until a well has been drilled on each governmental proration unit in the lands. The Subsequent Wells shall be drilled under the same terms and conditions as stated herein for the Initial Test Well however, the contract Depth may vary.
- (5) MHR shall be entitled to all daily reports and copies of all geological and engineering data pertaining to any well drilled pursuant to this agreement.

Before the Oil Conservation Division
Santa Fe, New Mexico
Case No. 13177 Exhibit No. 3
Submitted by: Crossland Operating, LLC
Hearing Date: November 7, 2003

- (6) The only penalty or failure by Crossland to timely commence operations of the initial Test Well or Subsequent Wells shall be the forfeiture of all rights granted Crossland not previously earned from MHR.

Should the foregoing proposal meet with your approval, please so indicate by executing in the space provided below and return a copy to my attention. Upon receipt, a formal agreement incorporating the terms and conditions hereof shall be furnished to you for your review and execution. Please contact me direct at (214) 621-7763 should you have any questions. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Barry Bradford', written over a horizontal line.

Barry Bradford

AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 2003

By: _____

Title: _____

CROSSLAND OIL & GAS

P O Box 600070

Dallas, Texas 75360

Phone 214-621-7763 Fax 214-363-5734

August 19, 2003

Magnum Hunter Resources Inc.
Attention: Toni Woods
3500 William D. Tate Ave., Ste 200
Grapevine, TX 76051

RE: Offer to Participate
Morrow Re-entry Project
Contract Area: E/2 of Section 27, T-18-S, R-29-E, Eddy County, New Mexico

Dear Mrs. Woods:

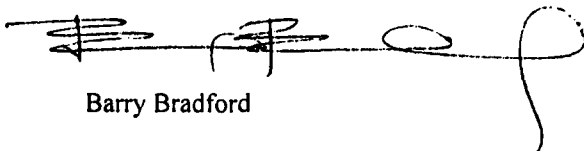
Per our recent telephone conversation in regard to Crossland's Term Assignment Offer to Magnum Hunter Resources, dated August 7, 2003, you advised me that your company is not interested in Assigning their 31.80 net acre Leasehold interest in the referenced Area.

Crossland is planning to re-enter the Empire Federal 2-A, P&A well located in the SE/4SE/4 of said Section 27 to test the Morrow formation, with a contract area comprising the E/2 of Section 27.

We want to offer you the opportunity to join us in our re-entry attempt. Please advise us in the very near future as to whether you are interested in participating with us as we are intending to proceed with this project as soon as possible.

Thank you for your consideration and we look forward to hearing from you at your earliest convenience so that we may proceed with our project.

Sincerely,



Barry Bradford

CROSSLAND OPERATING LLC

P O Box 600070 Dallas, Texas 75360

Phone 214-621-7763 Fax 469-232-0307

3RD

LETTER

October 1, 2003

CERTIFIED MAIL-RETURN RECEIPT REQUESTED 7002 0860 000 2286 9136

REC. OCT 2, 2003
CERT. MAIL

Mrs. Toni Wood
Magnum Hunter Resources Inc.
3500 William D. Tate Ave.
Suite 200
Grapevine, Texas 76051

RE: Empire "A" Federal #2 T18S-R29E Section 27 Eddy County, NM

Dear Mrs. Toni Wood

Crossland Operating LLC ("Crossland") hereby proposes the re-entry of a well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being approximately 11,630'. Furthermore, Crossland shall evaluate to its satisfaction the Morrow formation only, in the re-entry of said well. The proposed spacing or proration unit will be the E/2 of Section 27, T18S, R29E, Eddy County, New Mexico.

This well will be located approximately 1650' FNL & 660" FEL of Section 27, T18S, R29E, Eddy County, New Mexico. Crossland's AFE for the re-entry and completion of this well are enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of your executed AFE, we will forward for your review and execution Crossland's Joint Operating Agreement covering this proposed well.

In the event you should elect to not participate in the drilling of this test well, Crossland respectfully requests that you grant to Crossland a Term Assignment covering your interest in the captioned lands pursuant to the following terms and conditions:

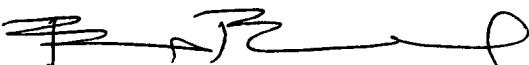
- a) \$100.00 per net leasehold acre. net 31.80 acre (\$3,180.00)
- b) One (1) year term
- c) An overriding royalty interest equal to the difference between current lease burdens and 25%

We anticipate drilling the captioned well in the very near future. We therefore, request that you please review this matter as soon as possible and advise as to your position regarding this proposal within thirty (30) days from your receipt of this letter.

In the event that we are not able to reach an agreement with you, it will necessarily to initiate force-pooling procedures to allow the drilling re-entry of this well.

We would be glad to further discuss this matter with you, so we invite you to contact us with any questions or comments you might have. Thank you for your cooperation.

Yours very truly,



Barry Bradford

/bb
Enclosures

CROSSLAND OPERATING LLC

AUTHORITY FOR EXPENDITURE (AFE)

AFE #: 1 Date: 29-Sep-03 ☒ Original
☐ Supplemental
 Lease: Empire A Federal Re-entry Well #: 2 Well Type: Exploratory/Oil
 Location: 1650 FNL & 660 FEL, Sect 27 County: Eddy State: New Mexico
18S-29E, Eddy County
 Prospect: _____ Objective: Lower Morrow Proposed TD: 11650

Purpose of Expenditure: Re-entry of D&A well and complete in lower Morrow.

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	750	0	750
	Staking & Permitting	2,500	0	2,500
	Location, Roads & Damages	15,000	0	15,000
	Lease Restoration	0	0	0
	Mobilization/Demobilization	45,000	0	45,000
	Drilling - Footage @ /Ft	0	0	0
	Drilling - Daywork 6 @ \$8,000 /Day	48,000	0	48,000
	Drilling - Directional @	0	0	0
	Completion Rig 10 @ \$2,000 /Day		20,000	20,000
	Fuel, Power & Lubricants 6 950	5,700	0	5,700
	Bits, Reamers & Stabilizers	15,000	0	15,000
	Drilling & Completion Fluids	12,000	1,000	13,000
	Water	2,500	2,000	4,500
	Mud Logging 0 @ \$650 /Day	0	0	0
	Drill Stem Tests (1 tests)		0	0
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores		0	0
	Cement & Services - Surface	0	0	0
	Cement & Services - Squeeze Work		0	0
	Cement & Services - Production		23,000	23,000
	Perforating & Cased Hole Logs	0	15,000	15,000
	Casing Crews/Laydown Machine	0	2,000	2,000
	Acidizing, Fracturing & Stimulation	0	110,000	110,000
	Rental Equipment	10,000	8,000	18,000
	Installation - Production Facilities	0		0
	Inspection & Testing	0	0	0
	Transportation	2,000	1,000	3,000
	Miscellaneous Labor	3,000	1,000	4,000
	Engineering & Geological Services	5,000	4,500	9,500
	Overhead	2,000	1,400	3,400
	Supervision	4,500	6,500	11,000
	Sand Blast & Coat Casing	0	0	0
	Contingencies	8,500	10,000	18,500
	Gross Receipts Tax	9,500	8,800	18,300
	TOTAL INTANGIBLE EXPENSE	190,950	214,200	405,150

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor of @ /Ft		0	0
	Casing - Surface 0 of 0 @ \$0.00 /Ft	0	0	0
	Casing - Intermediate 0 of 0 @ \$0.00 /Ft	0	0	0
	Casing - Intermediate 0 of 0 @ \$0.00 /Ft	0	0	0
	Casing - Production 8,000 of 5 1/2" @ \$6.80 /Ft	0	54,400	54,400
	Casing - Production 3,500 of 5 1/2" @ \$6.55 /Ft	0	22,925	22,925
	Tubing 11,300 of 2 3/8" @ \$2.30 /Ft	0	25,990	25,990
	Float & Other Equipment/Liner Hanger	0	2,500	2,500
	Wellhead Equipment, Tree	6,500	15,000	21,500
	Sucker Rods	0	0	0
	Down Hole Pump	0	0	0
	Packer/TAC	0	14,000	14,000
	Pumping Unit & Prime Mover	0	0	0
	Tank Battery & Storage Facilities	0	17,000	17,000
	Separator/Heater Treater/Dehydrator	0	10,000	10,000
	Meters & Flowlines	0	3,500	3,500
	Miscellaneous Valves & Fittings	0	1,000	1,000
	Contingencies	3,519	3,300	6,819
	TOTAL TANGIBLE EXPENSE	10,019	169,815	179,834
	TOTAL WELL COST	200,969	383,815	584,784
	WORKING INTEREST 9.9375% MAGNUM HUNTER SHARE	19,871	38,142	58,113

NOTE: THIS AFE IS ONLY AN ESTIMATE. BY RETURNING ONE APPROVED COPY, YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

Prepared
By:

A.J. Beilman, Petroleum Engineer

Approved
By:

Barry Bradford

Title:

Date:

Partner Approval:

Company:

MAGNUM HUNTER RESOURCES

Approved
By:

Title:

Date:

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0718

DISTRICT III
1080 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2068, SANTA FE, N.M. 87504-2068

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
Property Code	Property Name EMPIRE "A" FEDERAL COM		Well Number 2
OCRED No.	Operator Name INTERCOAST OIL AND GAS COMPANY		Elevation 3434

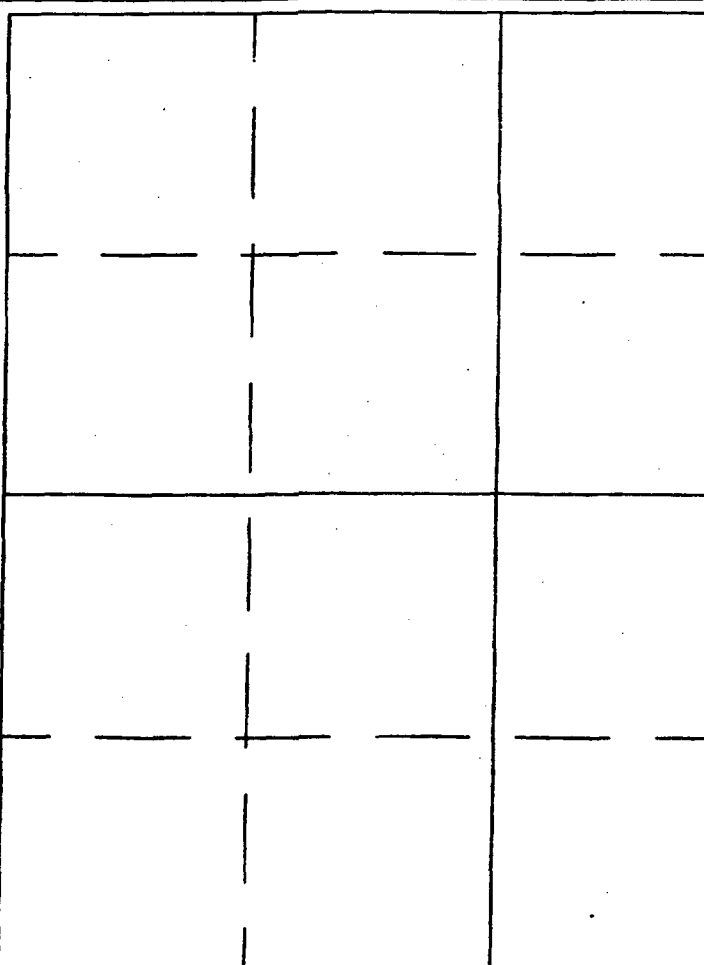
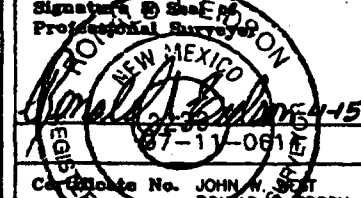
Surface Location

UL or lot No.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
H	27	18 S	29 E		1650	NORTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres		Joint or Infill	Consolidation Code	Order No.					
37.0 E/2									

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<div style="border: 1px solid black; padding: 5px;"> <p align="center">OPERATOR CERTIFICATION</p> <p><i>I hereby certify the information contained herein to be true and complete to the best of my knowledge and belief.</i></p> <p><u>Ken C. Francis</u> Signature</p> <p><u>Ken C. Francis</u> Printed Name</p> <p><u>Director of Drilling</u> Title</p> <p><u>5/5/97</u> Date</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p align="center">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p align="center">APRIL 14, 1997</p> <p>Date Surveyed DMCC</p> <p>Signature <u>Ronald S. Edson</u> Professional Surveyor</p> <div style="text-align: center;">  </div> <p>Certificate No. <u>JOHN W. SPOT</u> <u>RONALD S. EDSON</u> <u>CARL EDSON</u></p> <p align="right">676 3239 12641</p> </div>
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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.

1. Article Addressed to:

MAGNUM HUNTER
3500 WILLIAM D. TATE
AVE
SUITE 200
GRAPENINE TX 76051

2. Article Number

(Transfer from service label)

7002 0860 0000 2286 9136

PS Form 3811, August 2001

Domestic Return Receipt

2ACPRI-03-Z-0985

COMPLETE THIS SECTION ON DELIVERY

A. Signature

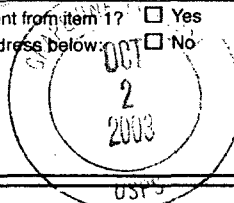
X Michael Z. GO

- ☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

- D. Is delivery address different from item 1? ☐ Yes
if YES, enter delivery address below: ☐ No



3. Service Type

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

4. Restricted Delivery? (Extra Fee)

- ☐ Yes

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.

1. Article Addressed to:

MAGNUM HUNTER
RESOURCES INC.
3500 WILLIAM D. TATE
AVE.
SUITE 200
GRAPENINE TX 76051

2. Article Number

(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

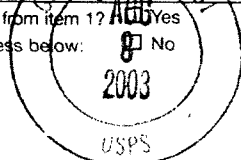
X Adina Masluk

- ☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

- D. Is delivery address different from item 1? ☒ Yes
if YES, enter delivery address below: ☐ No



3. Service Type

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

4. Restricted Delivery? (Extra Fee)

- ☐ Yes