

Tom E. Moore
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July 1, 1997

Mr. James Strickler
Burlington Resources
P.O. Box 4289
Farmington, NM 87499-4289

Re: Marcotte #2 Well
Section 8, T31N - R10W
639.78 acres, more or less
San Juan County, NM

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

EXHIBIT NO. ✓
CASE NO. 11808 + 11809

Mr. Strickler:

The Moore Loyal Trust proposes to farm out their interest in Section 8 - T31N-R10W, San Juan County, NM to Burlington Resources on the following basis:

- A. Moore will deliver to Burlington a 60% NRI Lease, thus reserving to Farmor an overriding royalty equal to 27.5%, proportionately reduced.
- B. At payout of initial test well, Moore shall have the option to convert the reserved overriding royalty to a 40% working interest, proportionately reduced.
- C. In the event that the Marcotte #2 is a non-commercial well, Moore's full, not reduced, interests shall be reassigned to him within 30 days.
- D. In the event that the Marcotte #2 is non-commercial and is utilized in any revenue earning capacity, Moore shall share, at no reduction of interest, in the monies.
- E. This farmout proposal applies only to Section 8, T31 - R10 of San Juan County, New Mexico and does not commit Moore's interest in any other sections or areas.
- F. The drilling of the Marcotte #2 must commence by September 1, 1997.