

**BURLINGTON
RESOURCES**

May 22, 1997

SAN JUAN DIVISION

VIA FACSIMILE

Total Minatome Corporation
Attn: Ms. Deborah Gilchrist, Land Manager
2 Houston Center, Suite 2000
P.O. Box 4326
Houston, TX 77210-4326

RE: GLA-46 - AMENDMENT
MARCOTTE 2
SECTION 8, T32N, R10W
ARCH ROCK PROSPECT
SAN JUAN COUNTY, NEW MEXICO

Dear Ms. Gilchrist:

This is in reference to Burlington Resources Oil & Gas Company's (Burlington) acreage support request letter to Total Minatome Corporation (Total), dated February 7, 1997, and GLA-46 amendment letter dated April 1, 1997. So far, GLA-46 owners, with the exception of Total, have agreed to support the subject well by either farming out their interest or participating and executing our proposed JOA. Burlington requests that Total proceed along with the other GLA-46 owners to either:


1. Participate in the subject well and execute our proposed JOA submitted to you on April 1, 1997, said JOA shall be limited in depths below the Dakota formation, or
2. Farmout your interest in the Arch Rock prospect as outlined in Exhibit "A" to the April 1, 1997 letter.

Historically, it is clear the November 27, 1951, farmout/operating agreement, known as GLA-46, covered the Pictured Cliffs and Mesaverde formations. All other formations were handled by amendment on a Ad Hoc basis. This agreement was never intended to cover deep gas exploration as indicated by past experience. The agreement incidentally has been amended over thirty (30) times to illustrate this point. Burlington and the other GLA-46 owners consistent with a spirit of cooperation and historic practice have amended the GLA accordingly.

Burlington does not agree with your interpretation of the agreement which allows you to be carried or effectively bring down the project on the subject well. A reasonable industry participation is evidenced by the 81.25% of the GLA-46 owners who have entered the amendment to the agreement. Burlington has worked diligently for over one year in putting together this extremely complex land area to drill this well. We hope that your management will support us in the drilling of a very speculative and expensive project by agreeing to either options one or two above.

We look forward to hearing from you soon, since time is of the essence to go forward with the drilling of this well. If you should have any questions, please call me at (505) 326-9756.

Very truly yours,


James R.J. Strickler, CPL
Senior Staff Landman

JRS:mt
Total_2.doc



FARMOUT AGREEMENT

This agreement, made and entered into this 27th day of November, A. D. 1951, by and between BROOKHAVEN OIL COMPANY, a Delaware corporation (hereinafter referred to as "Brookhaven"), whose address is First National Bank Building, Albuquerque, New Mexico, and SAN JUAN PRODUCTION COMPANY, a Delaware corporation (hereinafter referred to as "San Juan"), whose address is 1010 Bassett Tower, El Paso, Texas,

W I T N E S S E T H:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor, or from the State of New Mexico as lessor, upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A", attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, the parties desire to provide for the development of said acreage by San Juan, and the assignment of operating rights in said acreage from Brookhaven to San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

1. Within fifteen (15) days after the execution of this agreement, Brookhaven shall furnish to San Juan abstracts covering the serial records of New Mexico District Land and Survey Office, Bureau of Land Management, Santa Fe, New Mexico, as to any lease or leases executed by the United States as lessors, and abstracts covering the records of the Office of Commissioner



EXHIBIT "B"

OPERATING AGREEMENT

This agreement made and entered into this 27th day of November, A. D. 1951, by and between BROOKHAVEN OIL COMPANY, a Delaware corporation (hereinafter referred to as "Brookhaven") whose address is First National Bank Building, Albuquerque, New Mexico, and SAN JUAN PRODUCTION COMPANY, a Delaware corporation (hereinafter referred to as "San Juan"), whose address is 1010 Bassett Tower, El Paso, Texas,

W I T N E S S E T H:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor or from the State of New Mexico as lessor upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A" attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, Brookhaven desires to assign operating rights upon said acreage to San Juan and to make provision for division of oil, gas and minerals produced pursuant to the provisions hereof, and to provide for exploration and development of said acreage by San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

1. Assignment of Operating Rights. Brookhaven hereby transfers and assigns to San Juan operating rights on and designates San Juan as Operator of said acreage.

d. Insofar as the Federal lease is concerned, this agreement shall not be construed as an assignment of the lease, but only as an operating agreement and contract.

3. Operator's Obligations to Lessors. San Juan agrees to perform all terms and conditions required to be performed by the lessee under the terms of each of said leases and to pay before delinquency (to be included in operating costs) all rentals required to be paid to the lessor under the terms of each of said leases, and to comply with all applicable and lawful requirements of the lessors or of governmental agencies having jurisdiction of operations conducted upon said acreage; provided that San Juan may relieve itself of further obligations under this section as to any part of said acreage by executing and delivering to Brookhaven a reassignment or relinquishment of all San Juan's right, title or interest in or to such part of said acreage prior to any default or delinquency and at least ninety (90) days prior to termination of the primary term of any lease.

4. Operator's Drilling Obligations.

a. San Juan shall select a drilling site upon said acreage and shall commence and prosecute diligently drilling operations thereon for a Mesa Verde well, as hereinafter defined, within sixty (60) days from the effective date hereof (which well is hereinafter termed "first well").

b. San Juan shall complete drilling a minimum of four (4) Mesa Verde wells (including the first well) during the first twelve (12) months' period beginning with the effective date of this Operating Agreement, and, thereafter, San Juan shall complete drilling a minimum of four (4) Mesa Verde wells in each twelve (12) months' period until all drilling sites have been drilled. Any well completed as a producing well in a formation lying above or below the Mesa Verde formation shall be deemed a

well complying with the provisions of Subsection 4a and of this Subsection 4b. If San Juan obtains production in a formation lying above or below the Mesa Verde formation which San Juan desires to develop, San Juan may postpone drilling to the Mesa Verde formation as long as San Juan shall complete drilling a minimum of four (4) wells to the other formation in each twelve (12) months' period. After San Juan has drilled all available drilling sites which it deems desirable to the other formation, then San Juan shall resume drilling of any wells or deepening or plugging back existing wells to test the Mesa Verde formation, and shall complete drilling four (4) wells to the Mesa Verde formation in each twelve (12) months' period until a total of eighteen (18) Mesa Verde wells have been drilled, or shall re-assign or relinquish the undrilled locations or the rights to all formations undrilled or non-producing on those locations. A well drilled upon a communitized tract to which a part of said acreage has been committed shall be deemed to be drilled upon said acreage whether actually located upon said acreage or upon other tracts committed to the communitization agreement. The drilling obligations specified in this Subsection 4b shall not be suspended or excused by San Juan's inability to obtain casing and other drilling and producing equipment.

c. If no drilling site is available, and, after using good faith efforts, San Juan is unable to obtain execution of a communitization agreement by adjoining leasehold owners in order to provide a drilling site, then San Juan's obligation to drill as specified in Subsection 4b shall be suspended for such time as no drilling site is available, and the period of such suspension shall be added to the twelve (12) months' period for drilling a minimum of four (4) wells.

d. In addition to the drilling obligation provided in Subsection 4b, San Juan agrees to commence the actual drilling of an offset well (as soon as a communitization agreement can be obtained when communitization is necessary to provide a drilling site) within 90 days after a producing well is completed upon a drilling site which adjoins such undrilled drilling site on said acreage. This obligation to drill offset wells in excess of 4 wells required by Subsection 4b is further subject to San Juan's obtaining sufficient allocation of casing to drill the wells required by this Subsection 4d. Any well drilled as an offset well shall be included and credited as a well drilled pursuant to the provisions of Subsection 4b.

e. Any wells drilled in excess of four (4) in any twelve (12) months' period shall be credited to San Juan on its obligations under Subsections 4b and 4d in any subsequent twelve (12) months' period.

f. In the event San Juan fails to drill any well required by this Section 4, and the drilling of which is not excused as provided herein, then San Juan shall reassign or relinquish to Brookhaven all of said acreage except the rights in and to the formation on each drilling site upon which San Juan has commenced or completed drilling operations. The drilling site in the formation drilled upon which a producing well has been completed shall be retained unless abandoned as herein provided. In the event Brookhaven be entitled to reassignment or relinquishment of any tract or tracts hereunder, Brookhaven shall notify San Juan in writing specifying the tract or tracts and the formations, upon which Brookhaven claims San Juan is in default. If San Juan has failed to comply with the drilling obligations of this Operating Agreement, then San Juan shall execute and deliver to Brookhaven a release of this Operating Agreement as

c. Each of the parties reserves the right to receive in kind its respective share of oil, gas and/or other hydrocarbon substances, produced from said acreage, together with right, individually, to sell or direct the sale thereof for its benefit, and, in the event all parties hereto sell or dispose of their respective share of production to the same purchaser, each party hereto shall be entitled to receive directly from the purchaser thereof its respective share of the proceeds of sale of such production; subject, however, to repayment of drilling costs as provided herein. Any oil and/or gas used in drilling, operating or reworking wells on said acreage shall be considered as furnished equally by the parties hereto.

d. Out of the proceeds of sale of the net working interest production from each well, Brookhaven shall pay to San Juan one-half (1/2) of Brookhaven's share of such production (25% of net working interest) until Brookhaven has repaid to San Juan one-half (1/2) of the actual drilling costs of each such well, but production from one well shall not be used to repay drilling costs of another well. Brookhaven's share is further defined as follows:

1. Brookhaven's obligations to pay drilling costs upon a Mesa Verde well out of production shall not exceed Twenty-two Thousand Five Hundred Dollars (\$22,500.00), or one-half (1/2) the estimated cost of Forty-five Thousand Dollars (\$45,000.00) per Mesa Verde well. The drilling costs of each well shall include drilling, installation of casing, shooting or acidizing, installation of field separator, pipe line connections and separator, lease tanks on oil, tubing, production head, lease production lines,

with all applicable laws and regulations of the State of New Mexico and of the United States in operating said leases. As to Brookhaven, San Juan shall be an independent contractor hereunder.

11. Approval of Governmental Authority. This agreement is subject to the approval of the Secretary of the Interior, or his duly authorized subordinate, as to any Federal lease. Unless disapproved by final administrative action by either the Federal or State government, and until such disapproval, this agreement shall be binding upon the parties. In the event of any decision disapproving of this agreement or of any provision or any part thereof, the parties agree that the intent of this contract shall prevail so that neither party shall be denied the intended rights described herein, and to that end, they will use their best efforts to agree on the necessary modifications hereof to cure the causes of disapproval.

12. Definitions.

Mesa Verde Well. By "Mesa Verde well" is meant a well drilled to test the deepest horizon of the Mesa Verde formation or a well producing from any horizon of the Mesa Verde formation unless impenetrable substances be encountered which, in the opinion of San Juan, prevent testing the Mesa Verde formation.

Other Formations. Where wells to other formations are provided herein the same standards shall apply.

Drilling Site. "Drilling site" means such quantity of acreage and legal subdivision as may be designated a drilling site by the New Mexico Oil Conservation Commission, for a well to be drilled to a specified formation.

13. Notice. All notices to be given hereunder shall be deemed sufficient when notice is deposited, postage paid, in first class, United States mail, addressed to the parties as follows: