Bagash Resources

915-684-4023 Fax 915-682-8870

September 9, 1998

Dr. Henry Yeager, Jr. 5624 Knollwood Road Bethesda, Maryland 20816

> RE: Drill & Equip AFE Wood State Lease SE/4 NW/4 of Section 16, T 20 S, R 37 E, Lea County, NM. Below 7000'.

Dear Dr. Yeager;

Enclosed is an AFE for \$599,700 to drill and equip a well in the Strawn formation(8000'), at a location 2310' FWL and 1650' FNL, Section 16, T20S, R37E, Lea County NM. My check of the records indicates you have a 25% working interest in this 80 acres as shown on the attached map. Your participation in this well would amount to an estimated expenditure of \$149,925. I would be happy to have you as a working interest partner. If you wish to participate, please sign and return one copy of the enclosed AFE and keep the other copy for your files.

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Thank you for your consideration.

Yours very truly, Baqash Resources

By: Damian Barrett

Attackments

Before the Oil Conservation Division Santa Fe, New Mexico John H. Hendrix Corp. Exhibit No. 5 Case No. 12085 November 5, 1998

Bagash Resources

915-684-4023 Fax 915-682-8870

September 9, 1998

Mr. & Mrs. Roger Hansen 4642 Lorraine Avenue Dallas, TX 75209

> RE: Drill & Equip AFE Wood State Lease SE/4 NW/4 of Section 16, T 20 S, R 37 E, Lea County, NM. Below 7000'.

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Jaman Baret

By: Damian Barrett

Bagash Resources

915-684-4023 Fax 915-682-8870

Certified Mail No. p 219 743 485

September 17, 1998

10-1-98 mph 4. 485 fl mph 4.

Dr. Henry Yeager, Jr. 5624 Knollwood Road Bethesda, Maryland 20816

RE: D

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Article Addressed to: Dr. Henry Yeager, Jr. S624 Knollwood Road Bethesda, Maryland 20816 Bethesda, Maryland, Maryl	defined Consult postmaster for fee. 3. Article Addressed to: Image: Article Number 1943 485 Dr. Heary Yeager, Jr. Soft Knollwood Road Bethesda, Maryland 20816 Express Mail Bethesda, Maryland 20816 Express Mail S. Becalved By: (Print Name) Image: Article Number 1990 S. Becalved By: (Print Name) B. Addressee or Agenti S. Bacalved By: (Print Name) B. Addressee or Agenti S. Bacalved By: (Print Name) B. Addressee or Agenti S. Bacalved By: (Print Name) B. Addressee or Agenti S. Bacalved By: (Print Name) B. Addressee or Agenti Y S. Status of Line and Agency B. Addressee (Only if requested and fee is paid) P 219 743 485 Receipt for Certified Mail No insurance Converge Provided Do not use Converge Provided Do not Date Domestic Provent Provided Proverge P	Write "Return Receipt Requested" on the maliplece below to The Return Receipt will show to whom the article was daily	the article number. vered and the date	2. 🗆 Restricte	d Delivery
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Bagash Resources

Certified Mail No. p 219 743 484

September 17, 1998

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Yours very truly, Baqash Resources Dannon Bonett By: Damian Barrett

Attachments

915-684-4023 Fax 915-682-8870

SENDER: © Complete items 1 and/or 2 for additional services. © Complete items 3, 4a, and 4b. © Print your name and address on the reverse of this form so that we card to you. ■ Attach this form to the front of the mellplece, or on the back if space permit. ■ Write 'Return Receipt Requested' on the mellplece below the article ■ The Return Receipt will show to whom the article was delivered and delivered.	e does not ie number.	follow extra 1. [2. [ing servic fee):] Addres] Restric	aceive the less (for an lesse's Address led Delivery lester for fee.
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P 219 743 484 **Receipt for** Certified Mail <u>...</u> No Insurance Coverage Provided Unter starts Do not use for International Mail (See Reverse) MR & MRS ROGER HAN SEN Street and No. 4642 LORRMAN AVE P.O., State and ZIP Cod 75209 Postage \$ **Certified Fee** Special Delivery Fee **Restricted Delivery Fee** Return Receipt Showing to Whom & Date Delivered PS Form **3800,** June 1991 Return Receipt Showing to Whom, Date, and Addressee's Address TOTAL Postage \$3,23 & Fees Postmark or Date 9-17-98

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915-684-4023 Fax 915-682-8870

Certified Mail No. p 219 743 352

October 12, 1998

Mr. & Mrs. Roger Hansen 4642 Lorraine Avenue Dallas, TX 75209

> RE: Drill & Equip AFE Wood State Lease SE/4 NW/4 of Section 16, T 20 S, R 37 E, Lea County, NM. Below 7000'.

Dear Mr. & Mrs. Hansen;

Enclosed is a second AFE for \$857,000 to drill and equip a horizontal well in the Abo formation (7050'), at a location 2310' FWL and 1650' FNL, Section 16, T20S, R37E, Lea County NM. There have been operators in the area drilling horizontal wells in a variety of formations. The horizontal wells seem to be more efficient at recovering more oil and gas. This option is also cheaper than drilling two wells. I will propose this along with an alternative option to drill a vertical well that I sent you an AFE on Septmeber 17th 1998. My check of the records indicates you have a 25% working interest in this 80 acres. Your participation in this well would amount to an estimated expenditure of \$214,250. I would be happy to have you as a working interest partner. If you wish to participate, please sign and return one copy of the enclosed AFE and keep the other copy for your files.

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Yours very truly, Baqash Resources Danian Barrett By: Damian Barrett

Attachments

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P 219 743 352 **Receipt for** > Certified Mail No Insurance Coverage Provided L 18 Do not use for International Mail UNITED STATES (See Reverse) Sent 10 MR & MRS ROGER HANSEN Street and No. 4642 LORRAINE AVE State and ZIP Code PO. 75209 Postage \$ **Certified** Fee Special Delivery Fee **Restricted Delivery Fee** Return Receipt Showing to Whom & Date Delivered PS Form **3800**, June 1991 Return Receipt Showing to Whom, Date, and Addressee's Address TOTAL Postage & Fees \$ 3,23 Postmark or Date 10-12-28

Bagash Resources

915-684-4023 Fax 915-682-8870

Certified Mail No. p 219 743 353

October 12, 1998

Dr. Henry Yeager, Jr. 5624 Knollwood Road Bethesda, Maryland 20816

> RE: Drill & Equip AFE Wood State Lease SE/4 NW/4 of Section 16, T 20 S, R 37 E, Lea County, NM. Below 7000'.

Dear Dr. Yeager,

Enclosed is a second AFE for \$857,000 to drill and equip a horizontal well in the Abo formation (7050'), at a location 2310' FWL and 1650' FNL, Section 16, T20S, R37E, Lea County NM. There have been operators in the area drilling horizontal wells in a variety of formations. The horizontal wells seem to be more efficient at recovering more oil and gas. This option is also cheaper than drilling two wells. I will propose this along with an alternative option to drill a vertical well that I sent you an AFE on Septmeber 17th 1998. My check of the records indicates you have a 25% working interest in this 80 acres. Your participation in this well would amount to an estimated expenditure of \$214,250. I would be happy to have you as a working interest partner. If you wish to participate, please sign and return one copy of the enclosed AFE and keep the other copy for your files.

As an alternative to participating I would propose to buy your 25% lease in the above referenced 40 acres as mentioned in my previous letter to you dated September 9, 1998. I hereby submit a soverriding royalty interest (proportionately reduced) along with a purchase offer of source for your net 10 acres (below 7000') which amounts to the second seco

I hope we can reach agreement on either of the above proposals. However, if we can't reach agreement I will have no other option than to apply for forced pooling. The New Mexico forced pooling statute allows any working interest owner to go before the Oil Conservation Division, and force the other working interest owners to either participate in a well or be subject to a non-consent penalty. With the high degree of risk in a deeper well with an offset dry hole the usual penalty is 300%. This means you will not receive any money until I receive three times the well cost or about \$2,571,000. At that time you will revert to your original 25% working interest and 18.75% net revenue interest. You will then be obligated to pay your share of operating expenses and any other work that occurs on the lease.

This letter will serve as the official notice under the New Mexico forced pooling statute, after which our application will be filed.

Thank you for your consideration.

Yours very truly, Baqash Resources Dannon Barlt

By: Damian Barrett

Attachments

on the revenue side?	SENDER: =Complete items 1 and/or 2 for additional services. =Complete items 3, 4a, and 4b. =Print your name and address on the reverse of this form so that we card to you. =Attach this form to the front of the malipiece, or on the back if space permit. =Write 'Return Receipt Requested' on the malipiece below the article =The Return Receipt will show to whom the article was delivered and delivered.	does not number.	2. 🗆 Res	
RN ADDRESS completed (3. Article Addressed to: Dr. Henry Yeager, Jr. 5624 Knollwood Road Bethesda, Maryland 20816	Return Re	9 74 3 Prest	353 L2 Certified
le vour <u>RETUI</u>	5. Received By: (Print Name) 6. Signature: (Addressee or Agent) X. Access Ample PS Form 3811, December 1994 10	8. Addresse and fee k 2595-97-8-0179	s paid)	Return Receipt

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P 219 743 353 Receipt for Certified Mail No Insurance Coverage Provided Do not use for International Mail (See Reverse)

	(See Reverse)				
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1991	Return Receipt Showing to Whom & Date Delivered				
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