

MERIDIAN OIL

October 23, 1992

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Attached Working Interest Owners
(GLA-46 Parties)

LAND ADMINISTRATION

RE: Scott #1R
NE 1/4 Section 29, T32N-R10W
San Juan County, New Mexico

Gentlemen:

Meridian Oil Inc., successor in interest to El Paso Natural Gas Company in the Scott #1 and associated leasehold, herein proposes the redrilling of the Scott #1 to be designated as the Scott #1R well. Meridian will drill this well pursuant to the terms and conditions of that certain Joint Operating Agreement dated November 27, 1951, by and between Brookhaven Oil Co. and San Juan Production Company (EPNG), now El Paso Production Company. Said Joint Operating Agreement provides that the operator has the right to drill all Mesaverde wells on the subject lands without consent of the other parties thereto. The operator further shall, in the case of a Mesaverde well, recoup a maximum \$45,000.00 out of 50% of the revenue stream of carried parties. Said carried parties and successors to Brookhaven Oil Co. are stipulated on the attachment hereto. It is obvious that the \$45,000.00 maximum recoupment does not adequately reimburse us for drilling however, and we hereby propose two alternatives.

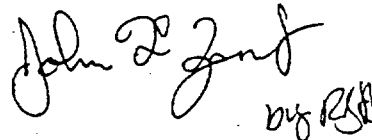
First, Meridian prefers that all parties be given the opportunity to participate in the drilling, completion and testing of the test well for their interest as detailed on the attachment hereto. In such case, would be willing to execute a new Joint Operating Agreement for the Scott #1R well only, as to those parties electing to participate therein. Said offer to participate will expire within 30 days from your receipt of this letter and well proposal. Enclosed for your review, in duplicate, is Meridian's AFE for the Scott #1R well. If you elect to participate in said well, please so indicate by returning a copy of this letter and the executed AFE to the undersigned.

Alternatively, Meridian requests authorization to amend the November 27, 1951, Operating Agreement to provide Meridian a vehicle to recoup 100% of its actual drilling, completion, and facilities cost for the Scott #1R well. Again, costs are detailed on the enclosed AFEs.

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Your cooperation and consideration in this regard, is greatly appreciated. If you have any questions in this regard, please contact the undersigned at (505) 326-9758. Meridian would like to spud the subject well as soon as possible. Any assistance you might be in expediting our request would be welcomed.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John F. Zent". To the right of the signature, there is a small handwritten note that says "by RSB".

John F. Zent
Area Landman

JFZ:ll
ID:jfzoct/74
Well File (NM-375)

The undersigned herein agrees to:

- _____ a. Participate in and pay costs for the drilling of the test well.
- _____ b. Allow the subject well to be drilled pursuant to the terms of our November 27, 1951, Operating Agreement but allowing the Operator recover 100% of the actual costs of drilling, completing and equipping.

COMPANY: _____

BY: _____

TITLE: _____

DATE: _____

**WORKING INTEREST OWNERS
(GLA-46 PARTIES)**

Scott #1R Well
NE/4 Section 29, T32N-R10W
San Juan County, New Mexico

El Paso Production Company	50.000000%
Amoco Production Company	28.125000%
Total Minatome Corporation	18.750000%
Paul Umbach Estate	2.343750%
Lowell White Family Trust	.195312%
Walter A. Steele	.195312%
Estate of G. W. Hannett	.162759%
T. G. Cornish	.130206%
Patricia Hueter	.032554%
Mary Emily Voller	.032553%
A. T. Hannett, III	<u>.032554%</u>
	100.000000%