

BURLINGTON RESOURCES

SAN JUAN DIVISION

September 18, 1998

Non-Operating Working Interest Owners
(see attached list)

Re: Brookhaven Com #8
Section 36, T27N, R8W
San Juan County, NM

11/10
190015
2:15
2:15
2:15

Gentlemen:

Under cover letter dated July 30, 1998, Burlington mailed our Authority for Expenditure and a modern form Joint Operating Agreement soliciting your approval and participation in the drilling of the referenced well as a dually completed Mesaverde/Chacra well. We have received a number of responses electing to participate under the terms and conditions of that certain Operating Agreement dated November 27, 1951 (GLA-46). It is Burlington's position that the provisions of GLA-46 do not apply to this well inasmuch as the drilling obligations, terms and conditions of GLA-46 were satisfied with the drilling of the initial eighteen (18) wells on GLA-46 lands as set out in the agreement.

It is our position that there are two options available for the drilling and development of the referenced well. Each option is identified below:

- Option 1: Enter into a modern form Joint Operating Agreement (JOA) and either participate or non-consent under the terms of the JOA.
- Option 2: Burlington will voluntarily carry your drilling, completing and equipping costs in the referenced well. Burlington will recoup 100% of its costs associated with the carried interests with recoupment occurring from 100% of the revenue stream associated with the carried interests. Upon payout, each carried party will be credited with its full interest in the well and will be subject to its proportionate share of all lease operating expenses and charges to the joint account. Burlington will be authorized to charge overhead on a fixed rate basis as follows:
- Drilling Well Rate: \$4,063.77 per month (prorated)
 - Producing Well Rate: \$474.13 per month
- The expenditure limit without partner approval will be \$25,000.00.


It is Burlington's desire to drill this well if all parties can reach a mutually acceptable agreement. To drill this well, we must have fair and equitable terms for all parties participating in the well. Burlington is willing to drill the well if all parties agree to participate in the well either under Option 1 or 2 as set out above.

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September 18, 1998
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Burlington's preference would be for all parties to negotiate a fair and equitable modern form Joint Operating Agreement (JOA) and participate or non-consent under that JOA.

Thank you for your cooperation and consideration in this matter. Your prompt response to our request would be greatly appreciated. Any questions may be directed to the undersigned at (505) 599-4010.

Sincerely,



Shannon Nichols
Landman

GLA-46
NM 391A

The undersigned herein agrees to:

_____ Option 1. Participate in the well under the terms, conditions and elections of a modern form Joint Operating Agreement.

* X Option 2. Participate in the well under the terms of Option 2 as set out above.

COMPANY: Energex Resources Corporation

BY: * 

TITLE: District Landman

DATE: November 18, 1998

* Executed on behalf of Energex Resources Corporation subject to that certain conditional Letter of Acceptance dated November 18, 1998, attached hereto and made a part hereof.

*Brookhaven Com #8 Well
Mesaverde/Chacra dual*

Non-Operating Working Interest Owners

Total Minatome Corporation
Attn: Deborah J. Gilchrist
P.O. Box 4326
Houston, TX 77210-4326

Marcia Berger
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

Carolyn Nielsen Sedberry
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

WWR Enterprises, Inc.
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

Roger B. Nielsen
6424 Belton
El Paso, TX 79912

Taurus Exploration USA, Inc.
Attn: Mr. Richard Corcoran
2198 Bloomfield Highway
Farmington, NM 87401

C. Fred Luthy, Jr.
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

Cyrene L. Inman
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

F.A. & H.B. Cronican Revocable Trust
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

William C. Briggs
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

Herbert R. Briggs
c/o NationsBank, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

Burlington Resources
San Juan Division
Post Office Box 4289
Farmington, New Mexico, 87499
(505) 325-9700

AUTHORITY FOR EXPENDITURE

AFE No.: 5R79 Property Number: 0125828000 Date: 7/2/98
Lease/Well Name: BROOKHAVEN COM #8 DP Number: _____
Field Prospect: BLANCO MV & LARGO CHACRA Region: Farmington
Location: C SEC 36 T27N R8W County: SAN JUAN State: NM
AFE Type: DEVELOPMENT 01 Original ☒ Supplement ☐ Addendum ☐ API Well Type _____
Operator: BURLINGTON RESOURCES
Objective Formation: OTERO CHACRA Authorized Total Depth (Feet): 4850'
Project Description: Drill, Comp., & set Facilities for this dual Chacra/Mesaverde
Estimated Start Date: Sept., 1998 Prepared By: Tap Harris
Estimated Completion Date: Oct., 1998

GROSS WELL DATA

	Drilling		Workover	Construction	Total
	Dry Hole	Suspended	Completion	Facility	
Days:		6	9		15
This AFE		\$80,695	\$86,640	\$22,680	\$190,015
Prior AFE's					\$0
Total Costs	\$0	\$80,695	\$86,640	\$22,680	\$190,015

JOINT INTEREST OWNERS

Company:	Working Interest	Dry Hole \$	Completed \$
	Percent		
BROG	51.32445 %	\$0	\$97,524
TRUST		\$0	\$0
Others:	48.67555 %	\$0	\$92,491
AFE TOTAL:	100.00000 %	\$0	\$190,015

BURLINGTON RESOURCES

Recommend: NB/knts Date: 7/16/98 Approved: DW Caldwell Date: 7/17/98
Reservoir Engineer Division Tech. Leader
Recommend: John [Signature] Date: 7/17/98 Approved: John [Signature] Date: 7.29.98
Geologist Division Landman

PARTNER APPROVAL

Company Name: _____
Authorized By: _____ Date: _____
Title: _____

SIGN
HERE

Burlington Resources

Well Name: Brookhaven Com #8
 Location: NW Sec 36, T27N R08W
 City, State: San Juan, NM
 Field: Otero Chacra / Blanco Mesa Verde
 Formation: Otero Chacra / Blanco Mesa Verde
 Proposed TD: 4850

Prepared By: Leslie C. White
 Date: 07/02/98
 Approved By: *Leslie C. White* 7/16/98
 AFE Type: 01
 Total Days: 6
 Intermediate TD: NA
 Est \$/ft: \$33.28

DRLG-248		INTANGIBLE DRILLING COST		MV COST	CH COST	TOTAL COST
03	Location			\$4,250	\$4,250	\$8,500
05	Move in/Move out			\$3,750	\$3,750	\$7,500
07	Rig Cost	6	days @ \$ 5671 per day	\$17,013	\$17,013	\$34,026
08	Safety Equipment			\$0	\$0	\$0
10	Gas & Air Drilling			\$0	\$0	\$0
16	Stimulation Fluids			\$5,000	\$5,000	\$10,000
17	Bits			\$5,500	\$5,500	\$11,000
18	Cementing			\$7,500	\$7,500	\$15,000
22	Coring & Analysis			\$0	\$0	\$0
23	Fuel/Electricity			\$0	\$0	\$0
25	Rentals			\$0	\$0	\$0
26	Fishing Tool			\$0	\$0	\$0
28	Other Rentals			\$0	\$0	\$0
29	Transportation			\$375	\$375	\$750
32	Directional Services			\$0	\$0	\$0
33	Tubular Inspection & Repair			\$700	\$700	\$1,400
	Logging Services			\$12,500	\$12,500	\$25,000
	Consultants	6	days @ \$ 400 per day	\$1,200	\$1,200	\$2,400
44	Technical Contract Services			\$0	\$0	\$0
45	Roustabout Labor			\$500	\$500	\$1,000
46	Miscellaneous			\$250	\$250	\$500
49	Packer Rental			\$0	\$0	\$0
53	Env. Cost			\$250	\$250	\$500
54	Disposal Cost			\$0	\$0	\$0
60	Distinct Tools			\$250	\$250	\$500
72	Company Supervision & Overh	6	days @ \$ 141 per day	\$423	\$423	\$846
	Total Intangibles			\$59,461	\$59,461	\$118,922
		TANGIBLE DRILLING COST				
80	Casing (COPAS Price)					
	200 FT 8 5/8 " 24.0 # K55	\$	\$12.46 /ft	\$1,246	\$1,246	\$2,492
	4850 FT 5 1/2 " 15.5 # K55	\$	\$7.83 /ft	\$18,988	\$18,988	\$37,976
81	Tubing (COPAS Price)			\$0	\$0	\$0
82	Packers, Screens, & Bridge Plugs			\$0	\$0	\$0
84	Casing/Tubing Equipment			\$0	\$0	\$0
88	Wellhead Equip & Xmas Tree			\$1,000	\$1,000	\$2,000
	Total Tangibles			\$21,234	\$21,234	\$42,468
TOTAL DRILLING COST ESTIMATE				\$80,695	\$80,695	\$161,390

* All costs include tax where applicable.

Completion Estimate

Well Name: BROOKHAVEN COM #8
 Location: C SEC 36 T27N R8W
 AFE Type: DEVELOPMENT 01
 Formation: BLANCO MV & LARGO CHACRA

Prepared By: P.M. PIPPIN
 Date: 7/2/98
 Approved By: _____

Intangible Costs

Account Number	Estimated Days:			Total Estimated Cost
		MV Cost	CHACRA Cost	
249				
02	Location, Roads or Canals	500	500	1,000
03	Construction and Maintenance			0
04	Surface Restoration	500	500	1,000
05	Move-in, Move-out	1,500	1,500	3,000
07	Fees of Contractor - Daywork 9 DAYS	10,130	10,130	20,260
09	Drilling Fluid System - Liquids			0
10	Gas and Air Drilling	5,000	5,000	10,000
12	Specialty Fluids and Chemicals	500	500	1,000
15	Onsite Disposal Svc.			0
16	Fresh Water	3,000	1,000	4,000
17	Bits	300	300	600
18	Primary Cement			0
19	Remedial Cementing			0
23	Fuel/Electricity	1,000	1,000	2,000
25	Drill Work String Rentals (Surface)			0
26	Fishing Tool Rentals			0
27	Tank Rentals	2,700	300	3,000
28	Other Rental	500	500	1,000
29	Transportation	500	500	1,000
30	Offsite Disposal Service			0
33	Tubular Inspection			0
34	Cased Hole Services	6,200	5,200	11,400
37	Swabbing & Coiled Tubing			0
38	Stimulation	2,000	2,000	4,000
39	Fracturing	60,000	32,000	92,000
43	Consultants			0
44	Technical Contract Svc.	3,800	2,500	6,300
45	Roustabout Labor			0
46	Miscellaneous			0
49	Packer Rental	1,500	1,500	3,000
72	Overhead (Contingency 5%)	6,000	4,130	10,130
74	Employee Expense	3,380	3,380	6,760
	Total Intangibles	109,010	72,440	181,450

Tangible Costs

81	Tubing 1-1/2" 2.76# J-55 IJ @ \$2.33/FT (3000 R		6,700	6,700
81	Tubing 1-1/2" 2.9# shaved EUE @ \$2.051 (4450 R	9,130		9,130
82	Packers and Bridge Plugs	2,100	2,100	4,200
84	Casing/Liner Equipment			0
85	Tubing Equipment	500	200	700
86	Wellhead Equipment & Tree	5,200	5,200	10,400
	Total Tangibles	16,930	14,200	31,130

Total Completion Cost

125,940 86,640 212,580

Well Name: BROOKHAVEN COM #8
 Location: C SEC 36 T27N R8W
 AFE Type: DEVELOPMENT 01
 Formation: BLANCO MV & LARGO CHACRA

Prepared By: P.M. PIPPIN
 Date: 7/2/98
 Approved By: _____

Tangible Costs

Account Number	Estimated Days:			Total Estimated Cost
		MV Cost	CH Cost	
247				
02	Labor-Contract, Roustabout, Consultants	2,000	2,000	4,000
03	Company Vehicles			0
08	Location, Roads & Canals			0
12	Overhead			0
17	Damages, Property Losses			0
20	Equip. Coating and Insulation			0
26	SWD Filtering			0
27	Separators	14,000	9,600	23,600
28	Gas Sweetening			0
29	Pumping Units			0
31	Prime Mover			0
32	Tanks	4,500	1,000	5,500
33	Metering Equipment			0
34	Flow Line			0
36	Bulding			0
39	Flowlines, Piping, Valves & Fittings	1,500	1,500	3,000
35	Compressors (Screw w/200# dis)			0
44	Technical Contract Svc.			0
47	Rental Compressors & Maintenance			0
48	Rental Equipment			0
49	Cathodic Protection	3,000	3,000	6,000
50	Right Of Way			0
51	Minor Pipelines			0
53	Surface Pumps			0
54	Electrical Accessories	3,000	3,000	6,000
55	Miscellaneous-Facility Expense	1,000	1,000	2,000
57	Pulling Unit Costs			0
60	Oper. Owned Equip/Facilities			0
62	Env. Compliance-Assessment			0
63	Env. Compliance (Remediation)			0
68	Direct Labor			0
69	Benefits			0
73	Freight /Transportation	500	500	1,000
72	Overhead (Contingency 5%)	1,480	1,080	2,560
81	Tubing			0
82	Rods			0
83	Downhole Pumps			0
84	Alternative Artificial Lift Equip			0
86	Convent Artificial Lift Wellhead Equip			0
88	Communication Systems			0
95	Employee Meals			0
96	Gas Dehydrator			0
Total Facility Cost		30,980	22,680	53,660

ILLEGIBLE