

July 15, 2000

CERTIFIED MAIL
Return Receipt Requested

Mr. Pat Tower
EOG Resources, Inc.
P. O. Box 2267
Midland, Texas 79702

Re: Murchison Oil & Gas, Inc. High Nitro State #1 well
Township 17 South, Range 28 East NMPM
Section 12 N/2
Eddy County, New Mexico

Dear Mr. Tower

Murchison Oil & Gas, Inc., as Operator, proposes to drill a Morrow test well at a location 660 feet from the north line and 660 feet from the west line of Section 12, Township 17 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, with the N/2 of said Section 12 to be dedicated as the spacing and proration unit for the proposed well. The proposed drilling operations are more fully described in the enclosed Authority for Expenditure, which contains the estimated expenses for drilling and completing the proposed well. Also enclosed for your consideration is a copy of the proposed Operating Agreement we intend to utilize in governing our drilling and producing operations on the captioned lands, together with a separate signature page for the Operating Agreement.

In our recent discussions, you confirmed that EOG Resources, Inc. owns 100% of State Lease E-7596, insofar as the lease covers N/2 NE/4, NE/4 NW/4, SW/4 NE/4 Section 12, Township 17 South, Range 28 East, N.M.P.M., by virtue of an assignment from Conoco

If EOG Resources, Inc. would like to participate in the proposed drilling operations, please see that the Authority for Expenditure and the signature page of the Operating Agreement are properly executed on behalf of EOG, have signature page for the Operating Agreement notarized, and return the signed AFE and signature page to the undersigned.

In the event EOG elects not to participate in the drilling operations, Murchison Oil & Gas, Inc. requests that EOG farmout its interest in the spacing unit to Murchison for the drilling of the well. The farmout agreement would provide that Murchison, by drilling

and completing the test well as a well capable of producing in paying quantities, would earn an assignment of 100% of EOG's leasehold interest in the proration unit for the well. EOG would reserve from the assignment an overriding royalty interest equal to the difference between 22% and existing lease burdens, proportionately reduced, thus delivering a 78% net revenue interest equal to 25% of the working interest earned by Murchison by drilling and completing the well

Should you have any questions about this proposal, please contact the undersigned. Please let us know EOG's decision as to participating in the test well as soon as possible.

Yours truly,

John B. Huckabay
Agent for Murchison Oil & Gas, Inc

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

EOG Resources, Inc.
Box 2267
Midland, TX 79702

2. Article Number (Copy from service label)

709932200005 75594795

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

REN MARTINEZ JUL 18 2000

C. Signature

X

[Signature]

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

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