





September 29, 2000

**EOG Resources, Inc.**  
P.O. Box 2257  
Midland, TX 79702  
(817) 434-1000

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Pogo Producing Company  
P. O. Box 10340  
Midland, Texas 79702-7340

Attention: Mr. Terry Gant

RE: Red Tank "23" Fed Com No. 1  
1830' FEL & 1980' FSL  
Section 23, T-22-S, R-32-E  
Lea County, New Mexico  
K0012970

Gentlemen:

EOG Resources, Inc. (EOG) proposes the drilling of the captioned well and the creation of a working interest unit covering all of Section 23, T-22-S, R-32-E, Lea County, New Mexico. The S/2 of Section 23 will be dedicated as the proration unit for the well.

The well is proposed as a 15,400 foot Morrow test. Enclosed for your review and execution are the following items:

- (1) Two (2) original AFE Cost Estimates for the drilling and completion of the well as proposed. Should you desire to participate in this proposed operation, please return one (1) executed copy of the AFE to EOG.
- (2) A 1982 AAPL Form 610 Model Form Operating Agreement and two (2) signature pages for same. Additionally, attached as Exhibit "H" is a 1989 AAPL Form 610RS Model Form Recording Supplement to Operating Agreement and Financing Statement and one (1) signature page for same. Should you desire to participate in this proposed operation, please return one (1) executed signature page of the Operating Agreement and the executed signature page of the Recording Supplement to EOG.

Should you not desire to participate in the drilling of the proposed well, EOG would be interested in obtaining a farmin agreement or term assignment covering your interest in the E/2 SE/4 of Section 23. Due to the time needed to obtain APD approval from the

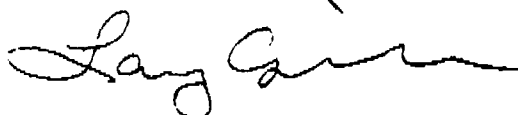
Pogo Producing Company  
September 29, 2000  
Page 2

BLM and scheduling for a drilling rig, EOG respectfully requests your earliest possible response to this proposal.

Should you have any questions concerning this proposal, do not hesitate to contact the undersigned at (915) 688-3730. Thank you in advance for your consideration and early response to this proposal.

Sincerely,

EOG RESOURCES, INC.

A handwritten signature in black ink, appearing to read "Larry Cunningham", written in a cursive style.

Larry D. Cunningham  
Project Landman