

COPY OF CORRESPONDENCE

FORCE POOL PROCEEDING

Thursday March 22, 2001

New Mexico Oil Conservation Division

Elm Ridge Resources, Inc.
as Operator

and

Marathon Oil Company

and

Hegarty & Associates
DELHI-Trading Incorporated

VS.

Edwards Energy Corporation

and

devon Energy Corporation

OIL CONSERVATION DIVISION

CASE NUMBER 2

EXHIBIT



TELECOPY TRANSMITTAL SHEET

P. O. Box 1317, Aztec New Mexico 87410

Telephone: 505/325-5449, 334-4992 fax

CONFIDENTIAL

NOTICE: THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS INTENDED ONLY FOR THE CONFIDENTIAL USE OF THE BELOW NAMED RECIPIENT. IF THE READER OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT, OR PERSON RESPONSIBLE FOR DELIVERING IT TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, AND THAT ANY REVIEW, DISSEMINATION, DISTRIBUTION, OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS IN ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE AT THE NUMBER SET FORTH BELOW AND DESTROY THIS FACSIMILE MESSAGE. THANK YOU.

DATE: 3-19-01

TO: Alan Nicol

FROM: Patrick Hegarty

RE: Ryleybart Federal #1

TOTAL PAGES: 3 w/cover

CALL (505) 325-5449, IF THERE IS ANY PROBLEM WITH TRANSMISSION OF THESE PAGES.

SUBJECT:

MESSAGE:

*Please fax back to
Patrick
B*



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

Alan B. Nicol
Pendragon Resources L. P.
Pendragon Energy Partners, Inc
621-17th Street Suite 750
Denver, Colorado 80293

March 19, 2001
Via Facsimile & U.S. Mail

Re: AFE - Operating Agreement
Fruitland Coal Test (N/2)

NE NE Section 24, T26N, R13W
Ryleybart Federal No.1

Dear Alan:

Enclosed please find a revised Authority For Expenditure (AFE) for the drilling of the above captioned well in the amount of \$158,543.00. As discussed, we plan to use a sand wedge type frac. Doug Endsley has been in contact with American Energy. They have a product comparable to the Sand Wedge Frac for \$10K to \$12K less.

We have gone through the attached DRAFT copy of the AFE and addressed every cost we think can be reduced. We still have \$3,000 assigned for Tank Rentals, although we certainly will utilize the tank that will be needed for ongoing operations once the well is put on production. As such, this cost Tank Rental may be reduced.

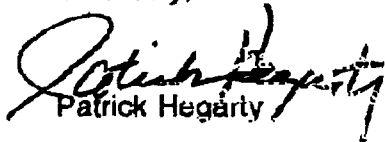
Rest assured, if there is a better method to frac this coal, we certainly will consider it. Please send Doug and I a letter pointing out the merits of your proposal. We will give your thoughts close scrutiny and proper consideration.

Be advised that Jim Ludwick will be the drilling contractor. We may be able to save the cost of a rig move, because we plan to dove tail our drilling plans with other operators in the area, thus saving on this cost.


As you know, the Operator for the drilling venture is Elm Ridge Resources, Inc. Operations can be conducted under: either the existing JOA dated September 1, 1990, or a 1998 AAPL JOA with 1998 COPAS Accounting Procedure. The Overhead rates will be: Drilling Well Rate of \$4,000.00, and the Producing Well Rate: of \$350.00. The salaries, wages and Personal Expenses of Technical Employees and/or cost the Consultant services WILL NOT be covered by said overhead rates.

For the purposes of avoiding any problems at our upcoming force pool proceeding this Thursday. Please execute the faxed copy of this letter, returning it as soon as possible. The alternative would be to stipulate exactly what it is that Pendragon would need in order to participate in this drilling venture. Thank You for your attention to this matter.

Sincerely,


Patrick Hegarty

Agreed To and Accepted this 19 day, March, 2001.
Pendragon Resources L. P. & Pendragon Energy Partners, Inc

By: 
Alan B. Nicol

PH/mac

XC: Doug & Jamie Elm Ridge Resources, Inc.

enclosure

Pendragon AFE#2

WEL, 020-00-00 11:35AM

ELMAR/DOL RESOURCES NO.

505 632 8151

P. 22

| WELL COST ESTIMATE | | | | ELM RIDGE RESOURCES, INC. | |
|---|------|---------|----------------|---------------------------|---------|
| Well Name/Project Name | | | | Well Number | |
| Location | | | | Field | |
| Project Description | | | | County | |
| Drill a Fractured Coal well to 14-140 | | | | State | |
| 1300 PNL & 1040' FEL Sed 24-728M-R13W | | | | San Juan | |
| Estimated Total Depth | | | | APE Number (Drill) | |
| 1542 | | | | APE Number (Complete) | |
| Producing Well | | | | Dry Hole | |
| Sub-Total | | | | Sub-Total | |
| Total | | | | Total | |
| Drillwater Goods: | | | | | |
| Surface Casing | 180 | PL | 7" | \$3.30 | \$/FL |
| Intermediate Casing | | PL | | | |
| Prod. Casing or Liner | 1340 | PL | 4 1/2" | \$4.80 | \$/FL |
| Tubing | 1200 | PL | 2 3/8" | \$2.31 | \$/FL |
| Tubing (Salvage) | | PL | | | |
| Pipeline Expense (Guthrie & Ballinath): | | | | | |
| Line Pipe 1 (Steel) | 1300 | FL | | \$9.00 | \$/FL |
| Line Pipe 2 (PVC) | | FL | | | |
| Casing and Tubing Heads | | | | | |
| Production Equipment | | | | | |
| Separator | \$ | \$2,400 | Red String | \$ | \$2,500 |
| Miscellaneous | \$ | | Engine/Motor | \$ | |
| Tank (s) | \$ | \$3,000 | Injection Pump | \$ | |
| Pumping Unit | \$ | \$8,500 | Transfer Pumps | \$ | |
| Water Inj. Equip. | \$ | | Compressor | \$ | |
| Down Hole Equip. (Packers, Anchors, etc.) | \$ | | | \$ | |
| Parts, Supplies and Fringe | \$ | | | \$ | |
| Drilling/Completion Costs | | | | | |
| Footage | 1340 | FL | X | 13 | \$/FL |
| Daywork - Rethro | | Day | X | | \$/Day |
| Daywork - Drilling | | Day | X | | \$/Day |
| Daywork - Completion | | Day | X | | \$/Day |
| Daywork - Water Well | | Day | | | \$/Day |
| Rig Move | | | | | |
| Completion Materials & Services | | | | | |
| Conductor and/or Surface | | | | | |
| Intermediate | | | | | |
| Production or Liner | | | | | |
| Extensor Casing | | | | | |
| Plug and Abandon (Plug Back, Whipstock Plug) | | | | | |
| Downhole Equipment (Shoes, Collars, Tools, etc.) | | | | | |
| Drilling Materials & Services | | | | | |
| Assembling & Miscellaneous Pumping | | | | | |
| Assembling & Miscellaneous Pumping | | | | | |
| Tank Rental and Transportation | | | | | |
| Tank Rental (Packer, Bridge Plug, Flanges, etc.) | | | | | |
| Drilling Evaluation Services | | | | | |
| Open Hole Logging (Electric & Radioactive Logging) | | | | | |
| Perforating and Cased Hole Logging | | | | | |
| Tronlog/Mud Logging, Drill Stem Test, Coring, etc.) | | | | | |
| Drilling Materials & Services | | | | | |
| Drilling Mud (Materials & Services) | | | | | |
| Drilling Gas or Air | | | | | |
| Water and Trucks | | | | | |
| Drill Bits & Reamers (Special Drilling Tools) | | | | | |
| Pump (Electric, Diesel, Butane, Electric) | | | | | |
| Drilling Materials & Services | | | | | |
| Contract Labor (Installation, Fabrication and Pipeline) | | | | | |
| Welding (Installation, Fabrication and Pipeline) | | | | | |
| Miscellaneous Materials, Services and Supplies | | | | | |
| Casing Service | | | | | |
| Electric/Electrical Services | | | | | |
| Access and Locations | | | | | |
| Access and Ties Operations | | | | | |
| Access, Road and Registration (Roadwork) | | | | | |
| Surface Damage | | | | | |
| Staking and Survey | | | | | |
| Supervision and Consulting | | | | | |
| GP/AR Checksum | | | | | |
| Date of Well Cost Estimate: | | | | | |
| 1-00-00 | | | | | |
| Approved: | | | | | |
| Title: | | | | | |
| Date: | | | | | |
| Company: | | | | | |

NOTE: * 2ND REVISION \$22,747 (REDUCTION OF \$10,000)
* 2ND REVISION of which is due to American Energy TRAC

At risk, we can supply produced coal bed water for the drilling year on Jan 25 or 26 in deposit
and in 8-25-26. 2000



HEGARTY
& ASSOCIATES

DELHI-Trading Incorporated

TELECOPY TRANSMITTAL SHEET

P. O. Box 1317, Aztec New Mexico 87410

Telephone: 505/325-5449, 334-4992 fax

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DATE: 3-19-01
TO: Steve Cromwell
FROM: PATRICK HEGARTY
RE: Force Pool Proceedings
TOTAL PAGES: Two w/cover

CALL (505) 325-5449, IF THERE IS ANY PROBLEM WITH TRANSMISSION OF THESE PAGES.

SUBJECT:

MESSAGE:

405-552-9171



HEGARTY
& ASSOCIATES

DELHI-Trading Incorporated

TELECOPY TRANSMITTAL SHEET

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DATE: 3-19-01
TO: Jane Woolbridge
FROM: Patrick Hegarty
RE: Ryley Bart Federal # 1
TOTAL PAGES: Two w/ cover

CALL (505) 325-5449, IF THERE IS ANY PROBLEM WITH TRANSMISSION OF THESE PAGES.

SUBJECT:

MESSAGE:

405-236-4258



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AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

March 19, 2001

Via Facsimile

Steve Cromwell Vice President
devon ENERGY CORPORATION
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

RE: Force Pool Proceeding N/2 sec.
7.5% WI NE/4, 24 T26N, R13W
San Juan Basin, N. M.

Dear Steve:

Devon may own a number of miscellaneous interests in the San Juan Basin that are being force pooled because your people do not have time to consider each drilling proposal. I would like to explore with devon the possibility of buying these very small miscellaneous interests. The alternative is devon simply gives up your interest to a force pool proceeding. Keep in mind; once the interest is force pooled someone will have to tract the interest to payout. Let me give you one example.

I have been trying to commit the captioned interest to the drilling of a well for over one year. I have offered to buy devon's interest. I had reached a deal with Santa Fe Synder before devon's merger, BUT could not get the matter closed. As such, I had to start over with devon. Last September I mailed all the pertinent detail involving this matter to Jane Wooldridge. Devon could sell, farmout, or participate. We have made no progress, which has forced us to force pool devon's interest, as well as Edward Energy's interest. The Force Pool proceeding is scheduled for this Thursday March 22, 2001. Realize that I can not wait any longer for I have an interest in a lease in the pooled NW/4 in an extended term. Regardless the details this problem maybe an opportunity for all of us to profit from the problem.

In Jane's defense, she is spread very thin with more pressing matters, due to all of devon's recent expansions. This problem maybe an opportunity for devon to rid themselves of many time consuming small miscellaneous interests. These interests take a lot of your peoples time and add no noticeable income to your bottom line.

We would be willing to make a trip out to your corporate offices to discuss a basin wide purchase proposal further.

Your attention to this matter is appreciated.

Very truly yours,
DELHI-Trading Incorporated

Patrick Hegarty,
President

PH/mac

XC: Jane Wooldridge

DEVON Force Pool.

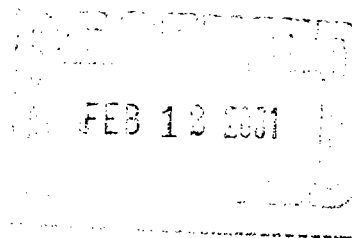


PENDRAGON ENERGY PARTNERS, INC.

621 17th Street, Suite 750 • Denver, CO 80293 • (303) 296-9402 Fax (303) 296-9410

February 6, 2001

Mr. Patrick Hegarty
Hegarty & Associates
P. O. Box 1317
Aztec, N M 87410



Re: Proposed Ryleybart Federal No. 1 Well
NE/4 Section 24, T26N-R13W, San Juan Co., N M

Dear Patrick:

Thank you for your follow-up letter dated 1/29/01 concerning this well. We are now in agreement that Pendragon Resources L.P. will have a 25.3125% W.I. in the N/2 Fruitland Coal spacing unit.

Our intention is to participate for our full working interest in this well. However, we will not execute the existing AFE without further discussion with Elm Ridge, because in our view and experience it is too high, as you and I have discussed.

We understand the need to prepay our share of the costs prior to drilling, and assuming we become comfortable with the estimated costs, will do so when it is appropriate. However, with a pooling proceeding in the works, and with Merrion now in the picture as operator in the NE/4 under our old Operating Agreement, we will hold off until we have determined for certain which operator and which operating agreement will prevail. Should it be the new Operating Agreement from Elm Ridge, we will need to have that document agreed to and executed before we send funds, since prepayment obligations and timing would be set forth in that agreement.

If there is to be little difference between the two possible JOAs, we could proceed to negotiate and execute your new one contingent upon its becoming the operative document, and then Elm Ridge would have us signed up regardless of which JOA prevails.

Sincerely,

Alan B. Nicol
President

ABN/jf



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(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 29, 2001

Register Mail RRR

Alan B. Nicol
Pendragon Resources L. P.
Pendragon Energy Partners, Inc
621-17th Street Suite 750
Denver, Colorado 80293

Re: Invitation To Participate
NE NE.Section 24, T26N, R13W
Fruitland Coal Test (N/2)
Ryleybart Federal No.1
BLM Lse. 31059 (NE/4)

Dear Mr. Nicols:

Wanted to backup our telephone conversations with this letter. I incorrectly stated what Pendragon's proportionate share of the well cost would be for the captioned well. Pendragon's share of costs for said well is \$45,889.54 (181,292.00. x .253125). This amount is based upon Pendragon's ownership of 75% of 67.5% of the operating rights covering the Fruitland Coal interval of the NE/4 of section 24, T26N, R13W, being 50% of the proration unit.

Pardon the error in stating what Pendragon's proportionate of well costs would be. As previously stated, I do not want to Force Pool Pendragon's interest. I am proceeding along this path only because of our need to drill a well in a timely fashion without having to caring any working interest owners burden. Thank You for your consideration of this matter.

Advise if you need anything further.

Sincerely,



Patrick Hegarty

PH/mac

enclosure

XC: James Bruce Esq.

Pendragon

PENDRAGON #23



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 29, 2001

Via Facsimile & Certified Mail RRR

Edwards Energy Corporation
Attn.: J. Keith Edwards
1401 17th St. Suite 1400
Denver, Colorado 80202

Re: Invitation To Participate - THIRD REQUEST
Fruitland Coal Test
Ryleybart Federal No.1
NE NE Section 24, T26N, R13W
N/2 Proration Unit
BLM Lease No. 31059

Dear Mr. Edwards:

Enclosed please find another AFE for the drilling of the above captioned well in the amount of \$181,292.00. As previously stated the Operator for the drilling of this well is Elm Ridge Resources, Inc. Operations will be conducted under either an 1982 AAPL Joint Operating Agreement with a 1984 COPAS Accounting Procedure, or the existing Operating Agreement covering your land. If a new Operating Agreement is prepared the suggested Overhead rates will be:

Drilling Well Rate: \$4,500.00
Producing Well Rate: \$ 500.00

The salaries, wages and Personal Expenses of Technical Employees and/or cost of the Consultant services and contract services either temporarily, or permanently assigned to and directly employed in the operation WILL NOT be covered by overhead rates.

We have confirmed your assertion of ownership of BLM Lease Serial No. 31059; Edwards Energy owns 25% of 67.50% (16.875% of 8/8ths net) of the operating rights for the NE/4 of section 24, T26N R12W. As such, Edward's proportionate share of this well will be 8.43755% of 8/8ths, which equates to \$15,296.61 of the enclosed AFE. We hereby request pre payment of this amount as soon as possible.

We appreciate a response to our last letter but will continue to seek support in drilling this well from the N.M.O.C.D. under Force Pool proceedings, or under the existing Operating Agreement covering your lands if we do not receive the requested sum of money within 45 days from receipt of this letter.

Your prompt attention to this matter will be appreciated.

Sincerely,
ELM Ridge Resources, Inc.

Patrick Hegarty, Agent

PH/mac

enclosure

XC: James M. Clark, Jr. & James Bruce, Esq. w/out enclosures

Edwards AFE #2



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 29, 2001

Jim Bruce
P.O. Box 1056
Santa Fe, N.M. 87504

Re: Force Pool Proceeding - Update

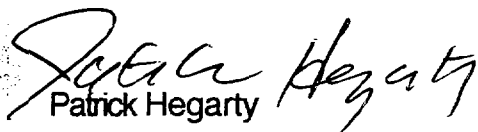
Dear Jim:

Enclosed please find the letters to various working interest owners. We experienced what appears to be a Shultz Abstract title bust. In my twenty years of working with Annette this is the first apparent oversight that I have experienced.

Merrion Oil & Gas appears to own 25% of 88/8ths of the Fruitland Coal rights associated with the NE/4 of section 24, 26/13. What created the oversight was that the Merrions assigned Edwards only the PC while the assignment was interpreted to include the FTC.

All working interest owners in this venture have now received an invitation to participate in the drilling of the Ryleybart Federal No. 1 well, which will entail the N/2 of said section.

Sincerely,


Patrick Hegarty

PH/mac

XC: Jamie Clark

enclosures

Jim Bruce --Update



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 23, 2001

Via Facsimile & U.S. Mail

Alan B. Nicol
Pendragon Resources L. P.
Pendragon Energy Partners, Inc.
621-17th Street Suite 750
Denver, Colorado 80293

Re: Invitation To Participate
NE NE-Section 24, T26N, R13W
Fruitland Coal Test (N/2)
Ryleybart Federal No. 1
BLM Lse. 31059 (NE/4)

Dear Mr. Nicols:

Enclosed please find an Authority For Expenditure (AFE) for the drilling of the above captioned well in the amount of \$181,292.00. The Operator for the drilling of this well is Elm Ridge Resources, Inc. Operations will be conducted under: either the existing JOA dated September 1, 1990, or a 1982 AAPL JOA with 1984 COPAS Accounting Procedure. If a new JOA is needed the suggested Overhead rates will be:

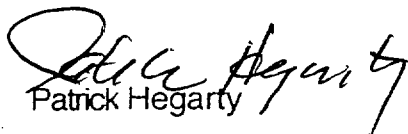
Drilling Well Rate: \$4,500.00
Producing Well Rate: \$ 500.00.

The salaries, wages and Personal Expenses of Technical Employees and/or cost the Consultant services and contract services either temporarily, or permanently assigned to and directly employed in the operation WILL NOT be covered by overhead rates.

Based upon a letter received from Edwards Energy Corporation dated January 18, 2001, Pendragon owns 69.375% ($92.5\% \times .75$) of the operating rights covering the NE/4 of said section. As such, Pendragon's proportionate share of the captioned well costs is \$62,885.66 ($\$181,292. \times .346875$). We would appreciate payment of this amount as soon as possible as well as return of one copy of the enclosed AFE. We are open to review any suggestion to lower the cost and/or improve the operation of: drilling, completing, or operating this proposed well. Be advised that we have already begun the permitting for said well and continue to incur costs in this regard.

Prompt attention to this matter will be appreciated.

Sincerely,


Patrick Hegarty

PH/mac

XC: Elm Ridge Resources, Inc.

enclosure

Pendragon Ltr.



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 23, 2001

Registered Mail RRR

T. Greg Merrion, President
Merrion Oil & Gas Corp.
610 Reilly Ave.
Farmington, NM 87401

Re: Invitation To Participate
NE NE Section 24, T26N, R13W
Fruitland Coal Test (N/2)
Ryleybart Federal No.1
BLM Lse. 31059 (NE/4)

Dear T. Greg:

Enclosed please find an Authority For Expenditure (AFE) for the drilling of the above captioned well in the amount of \$181,292.00. The Operator for the drilling of this well is Elm Ridge Resources, Inc. Operations will be conducted under: either the existing JOA dated September 1, 1990, or a 1982 AAPL JOA with 1984 COPAS Accounting Procedure. If a new JOA is needed the suggested Overhead rates will be:

Drilling Well Rate: \$4,500.00
Producing Well Rate: \$ 500.00.

The salaries, wages and Personal Expenses of Technical Employees and/or cost the Consultant services and contract services either temporarily, or permanently assigned to and directly employed in the operation WILL NOT be covered by overhead rates.

Based upon a review of title, Merrion owns 25% of the Fruitland Coal operating rights covering the NE/4 of said section. As such, Merrion's proportionate share of the captioned well costs is \$22,661.50 (\$181,292. x .125). We would appreciate payment of this amount as soon as possible as well as return of one copy of the enclosed AFE. We are open to review any suggestion to lower the cost and/or improve the operation of: drilling, completing, or operating this proposed well. Be advised that we have already begun the permitting said well and continue to incur costs in this regard.

Prompt attention to this matter will be appreciated.

Sincerely,
Elm Ridge Resources, Inc.


Patrick Hegarty

PH/mac

XC: Jamie Clark, Jr.

enclosure

Merrion Ltr.

Is your RETURN ADDRESS completed on the reverse 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 can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

T. Greg Merriam
Merriam Oil & Gas
610 Reilly Ave.
Farmington, NM 87401

4a. Article Number

7000 0520 0024 1361

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

2-2-01

5. Received By: (Print Name)

MICHAEL BARRUES

6. Signature: (Addressee or Agent)

Michael Barrues

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

102595-98-B-0229

Domestic Return Receipt

Thank you for using Return Receipt Service.

**U.S. Postal Service
CERTIFIED MAIL RECEIPT**

(Domestic Mail Only; No Insurance Coverage Provided)

FARMINGTON, NM 87401

Postage

\$ 0.34

UNIT ID: 0415

Certified Fee

1.90

Return Receipt Fee
(Endorsement Required)

1.50

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$ 3.74

Postmark
Here
Clerk: KBOKPH

02/01/01
FEB 01 2001

Recipient's Name (Please Print Clearly) (To be completed by mailer)

T. Greg Merriam Merriam Oil & Gas

Street, Apt. No., or PO Box No.

610 Reilly Ave.

City, State, ZIP+4

Farmington, NM 87401

PS Form 3800, February 2000

See Reverse for Instructions

7000 0520 0024 1361 7439



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 17, 2001

Via Facsimile

Jan Wooldridge, Senior Landman
devon ENERGY CORPORATION
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Re: Invitation To Participate - (REVISED)
NE NE Section 24, T26N, R13W
Fruitland Coal Test (N/2)
Ryleybart Federal No.1
BLM Lease No. 31059

Dear Jane:

Wanted to backup my telephone message with this letter. Our attorney; Jim Bruce pointed out in the attached letter that I incorrectly stated what Devon's proportionate share of the well cost would be for the captioned well. Devon's share of costs for said well is \$6,798.45 (181,292.00. x .0375).

Pardon the error in stating what Devon's proportionate of well costs would be. As previously stated, I do not want to Force Pool Devon's interest. I am proceeding along this path only because the offset lease, which I own an interest in is in its extended term. If you need verification of this fact just let me know. Thank You for your consideration of this matter.

Advise if you need anything further.

Sincerely,


Patrick Hegarty

PH/mac

enclosure

XC: James Bruce Esq.

devon

DEVON Force Pool. #3



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 10, 2001

Via Facsimile & Certified Mail RRR

Edwards Energy Corporation
Attn.: J. Keith Edwards
1401 17th St. Suite 1400
Denver, Colorado 80202

Re: Invitation To Participate - SECOND REQUEST
Fruitland Coal Test
Ryleybart Federal No.1
NE NE Section 24, T26N, R13W
N/2 Proration Unit
BLM Lease No. 31059

Dear Mr. Edwards:

Enclosed please find an AFE for the drilling of the above captioned well in the amount of \$181,292.00. The Operator for the drilling of this well is Elm Ridge Resources, Inc. Operations will be conducted under either an 1982 AAPL Joint Operating Agreement with a 1984 COPAS Accounting Procedure, or the exsisting Operating Agreement covering your land. If a new Operating Agreement is prepared the suggested Overhead rates will be:

Drilling Well Rate: \$4,500.00
Producing Well Rate: \$ 500.00

The salaries, wages and Personal Expenses of Technical Employees and/or cost of the Consultant services and contract services either temporarily, or permanently assigned to and directly employed in the operation WILL NOT be covered by overhead rates.

Based upon our analysis of the ownership of BLM Lease Serial No. 31059; Edwards Energy owns 92.5% of the operating rights for the NE/4 of section 24, T26N R12W. As such, Edward's proportionate share of this well will be 46.25% of 8/8ths, which equates to \$83,847.55 of the enclosed AFE. We will appreciate payment of this amount as soon as possible.

We did not receive a response to our last letter and must advise that we will seek support in drilling this well from the N.M.O.C.D. under Force Pool proceedings, or under the existing Operating Agreement covering your lands if we do not receive \$83,847.55 soon.

Your prompt attention to this matter will be appreciated.

Sincerely,


Patrick Hegarty

PH/mac

enclosure

Edwards AFE #2



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

January 8, 2001

Jim Bruce
P.O. Box 1056
Santa Fe, N.M. 87504

Re: Force Pool Proceeding

Dear Jim:

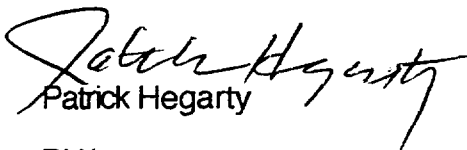
Pursuant to our telephone conversation enclosed please find the letters to Edwards and Devon, which were sent by certified mail..

Devon has told me that they will work with me in selling their interest or participating in the well. The only problem is that they have been saying this for five months. I am hoping this action will spur some action on everyones part. We also have an expiring lease issue that is forcing our hand. As such, a February docket would be appreciated.

As stated Elm Ridge will be drilling the wells associated with this action.

Additional thoughts on the matter would be appreciated.

Sincerely,


Patrick Hegarty

PH/mac

XC: Jamie Clark

enclosures

Jim Bruce -ED&Dev



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

Jane Wooldridge, Senior Landman
devon ENERGY CORPORATION
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

January 5, 2001
Via Facsimile

RE: Force Pool Proceeding - 7.5% WI NE/4, 24 T26N, R13W San Juan Basin, N. M.

Dear Jane:

You said yesterday that I do not own any interest in the proration unit that we are trying to drill. This is not correct and may be the cause of the delay in reviewing this matter. I own drilling rights in the **NW/4** of section 24, 26/13. The Fruitland Coal Proration Unit for the proposed well will be the north half of this section.

The Force Pool procedure was initiated, with the Certified Letter that you received with the attached AFE. This matter should come before the N.M.O.C.D. sometime in February. The Santa Fe attorney that I am working with in this regard is Mr. Jim Bruce.

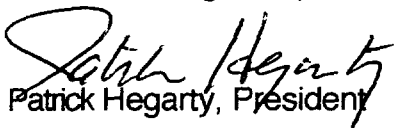
I have never Force Pooled anyone before and find the thought disturbing. I take pride in trying to work with companies in a patient and understanding manner. As discussed, Edwards Energy owns the remaining 92.5% interest in the NE/4. As discussed, I have a long history of bad financial dealings with Edwards. If Devon sells me their interest, or participates, I, or we, can force pool Edwards under the governing Operating Agreement. This will save a great deal of time, headache and hassle.

Please recall the fact that my lease in the NW/4 is beyond its primary term. I have negotiated a lease extension that requires a well be spud in the next six months. Because of lease expiration, rig availability problems and this Forced Pool issue, I felt I had to explore other decision making avenues within Devon.

I decided to call Steve Cromwell to increase the priority of this matter. Please understand that a number of my prior telephone messages were not returned. I realize that your working on larger impact items. Knowing Devon to be a very employee supportive company, I felt a call to Steve would allow you to make room in your busy schedule for this matter, with upper management support.

I apologize for any inconvenience my telephone call to Steve may have caused, but my back is up against the wall. As I stated in the past I will extend you and Devon a professional courtesy in the future in payment for your attention to this matter. I have an excellent reputation for keeping my word and will assist you in the future for extending me this professional courtesy.

Very truly yours,
DELHI-Trading Incorporated


Patrick Hegarty, President

PH/mac

DEVON Force Pool.



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

December 27, 2000

Via Facsimile

Jane Wooldridge, Senior Landman
devon ENERGY CORPORATION
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Re: Invitation To Participate
Fruitland Coal Test (N/2)
Ryleybart Federal No.1
NE NE Section 24, T26N, R13W
BLM Lease No. 31059

Dear Jane:

Enclosed please find an AFE for the drilling of the above captioned well in the amount of \$181,292.00. The Operator for the drilling of this well is Elm Ridge Resources, Inc. Operations will be conducted under an 1982 AAPL Joint Operating Agreement with a 1984 COPAS Accounting Procedure. The suggested Overhead rates will be:

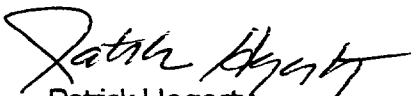
Drilling Well Rate: \$4,500.00
Producing Well Rate: \$ 500.00

- The salaries, wages and Personal Expenses of Technical Employees and/or cost of the Consultant services and contract services either temporarily, or permanently assigned to and directly employed in the operation WILL NOT be covered by overhead rates.

Based upon our analysis of the ownership of BLM Lease Serial No. 31059; devon ENERGY CORPORATION owns 7.5% of the operating rights for the NE/4 of section 24, T26N R12W. As such, Edward's proportionate share of this well encompassing a N/2 drill block will be: \$83,847.55. We will appreciate payment of this amount as soon as possible.

Advise if you need anything further.

Sincerely,


Patrick Hegarty

PH/mac

enclosure

devon

Is your RETURN ADDRESS completed on the reverse 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 can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Jane Woodridge
Devon Energy
20 N. Broadway Ste. 1500
Oklahoma City, OK 73102

4a. Article Number

7323

7000 0520 0024 1361

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

1/3/00

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Addressee or Agent)

X

PS Form 3811, December 1994

102595-98-B-0229

Domestic Return Receipt

Thank you for using Return Receipt Service.

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)**

73102

| | |
|---|----------------|
| Postage | \$ 0.33 |
| Certified Fee | 1.40 |
| Return Receipt Fee (Endorsement Required) | 1.25 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ 2.98 |

UNIT ID: 0410

Postmark Here
Clerk: [Signature]
12/27/00

Recipient's Name (Please Print Clearly) (To be completed by mailer)

Jane Woodridge, Devon Energy

Street, Apt. No., or PO Box No.

20 N. Broadway, Ste. 1500

City, State, ZIP+4

Oklahoma City OK 73102

PS Form 3800, February 2000

See Reverse for Instructions

7000 0520 0024 1361 7323



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

December 21, 2000

Via Facsimile

Edwards Energy Corporation
Attn.: J. Keith Edwards
1401 17th St. Suite 1400
Denver, Colorado 80202

Re: Invitation To Participate
Fruitland Coal Test
Ryleybart Federal No.1
NE NE Section 24, T26N, R13W
BLM Lease No. 31059

Dear Mr. Edwards:

Enclosed please find an AFE for the drilling of the above captioned well in the amount of \$181,292,00. The Operator for the drilling of this well is Elm Ridge Resources, Inc. Operations will be conducted under an 1982 AAPL Joint Operating Agreement with a 1984 COPAS Accounting Procedure. The suggested Overhead rates will be:

Drilling Well Rate: \$4,500.00

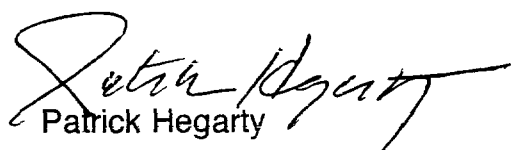
Producing Well Rate: \$ 500.00

The salaries, wages and Personal Expenses of Technical Employees and/or cost of the Consultant services and contract services either temporarily, or permanently assigned to and directly employed in the operation WILL NOT be covered by overhead rates.

Based upon our analysis of the ownership of BLM Lease Serial No. 31059; Edwards Energy owns 92.5% of the operating rights for the NE/4 of section 24, T26N R12W. As such, Edward's proportionate share of this well will be: \$83,847.55. We will appreciate payment of this amount as soon as possible.

Advise if you need anything further.

Sincerely,



Patrick Hegarty

PH/mac

enclosure

Edwards

Is your RETURN ADDRESS completed on the reverse 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 can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

J. K. Edwards
Edwards & Assoc.
1401 17th St. Ste 1400
Denver, CO 80202

4a. Article Number

7000 0520 0024 1361

4b. Service Type

7415

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5. Received By: (Print Name)

Feldman

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

[Signature]

PS Form 3811, December 1994

102595-98-B-0229 Domestic Return Receipt

Thank you for using Return Receipt Service.

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)**

7000 0520 0024 1361 7415

DENVER, CO 80202

| | |
|--|---------|
| Postage | \$ 0.34 |
| Certified Fee | 1.90 |
| Return Receipt Fee (Endorsement Required) | 1.50 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ 3.74 |

UNIT ID: 0415

Postmark Here
Clerk: KBOKPH
JAN 10 2001

Recipient's Name (Please Print Clearly) (To be completed by mailer)

J. K. Edwards - Edwards Energy

Street, Apt. No.; or PO Box No.

1401 17th St. Ste. 1400

City, State, ZIP+4

Denver, Co. 80202

PS Form 3800, February 2000

See Reverse for Instructions

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)**

7000 0520 0024 1361 7422

DENVER, CO 80202

| | | |
|--|---------|---------------|
| Postage | \$ 0.34 | UNIT ID: 0415 |
| Certified Fee | 1.90 | |
| Return Receipt Fee (Endorsement Required) | 1.50 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 3.74 | |

Postmark Here
Clerk: KBOKPH
FEB 01 2001
02/01/01

Recipient's Name (Please Print Clearly) (To be completed by mailer)

J. K. Edwards - Edwards Energy

Street, Apt. No.; or PO Box No.

1401 17th St. Ste. 1400

City, State, ZIP+4

Denver, Co. 80202

PS Form 3800, February 2000

See Reverse for Instructions

**U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)**

7000 0520 0024 1361 7422

80202

| | | |
|--|---------|---------------|
| Postage | \$ 0.33 | UNIT ID: 0410 |
| Certified Fee | 1.40 | |
| Return Receipt Fee (Endorsement Required) | 1.25 | |
| Restricted Delivery Fee (Endorsement Required) | | |
| Total Postage & Fees | \$ 2.98 | |

Postmark Here
Clerk: KPLPH
JAN 27 2001
12/27/94-18

Recipient's Name (Please Print Clearly) (To be completed by mailer)

Edwards, J. K.

Street, Apt. No.; or PO Box No.

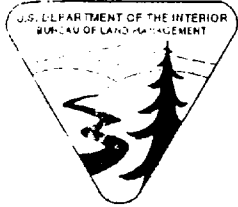
1401 17th St., Suite 1400

City, State, ZIP+4

Denver, Co. 80202

PS Form 3800, February 2000

See Reverse for Instructions



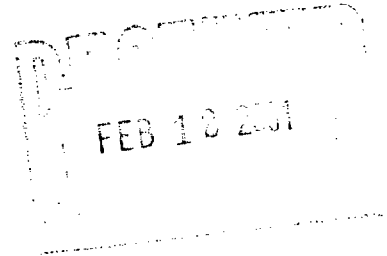
United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:
NO-G-9601-1296 (DR)
3162.2 (07100)

January 31, 2001

Certified



Wayne L. Ransbottom
Marathon Oil Company
P.O. Box 522
Midland, Texas 79702-0552

Re: Drainage of Navajo-Allotted Minerals
Lease No. NO-G-9601-1296

Dear Mr. Ransbottom:

The Farmington Field Office is conducting a review in which Navajo-Allotted leases may be affected by offset wells. Per our records, Marathon Oil Company is the lessee of Navajo-Allotted lease NO-G-9601-1296, NW/4, sec. 24, T. 26N., R. 13W. This section is being reviewed for potential drainage based upon the lease's proximity to the following well:

Yip Com No. 1, 1755 FSL, 1010 FWL, sec. 18, T. 26N., R.12W., completed in the Fruitland Coal formation. This well's production began increasing on January 2000. The last three months of production figures from September 2000 to November 2000 shows the well's production is averaging 318 MCF of gas per day. This well's dedicated spacing acreage is comprised of one 160 acre Navajo-Allotted lease and one 160 acre lease comprised of two Federal lessees for a total acreage of 320 acres. Potential drainage is occurring from your Navajo-Allotted lease with a different Navajo-Allottee and a Federal lease with a different lessee from the offending well's Navajo-Allottee and Federal lessees.

A protective well has not been drilled.

Both the terms of your lease and the oil and gas regulations require you to protect Navajo-Allotted lands from drainage. Even though you are not required to respond to this initial letter, you are encouraged to submit engineering and geological data which supports your contention. Our technical staff will then review your data and make a drainage determination. If we receive no reply and our final determination after geological and engineering work is done shows that drainage did occur before the protective well began producing, you may be subject to the assessment of compensatory royalties. If you have any questions concerning this matter, please call Paul Bougeant at (505) 599-6304 or Ray Hager at (970) 490-2942.

Sincerely,

Richard K. Dembowski
Team Lead, Petroleum Management

cc: Patrick Hegarty
Hegarty & Associates
P.O. Box 1317
Aztec, N.M. 87410



United States Department of the Interior
FARMINGTON INDIAN MINERALS OFFICE
1235 La Plata Highway Suite B
Farmington, NM 87401

IN REPLY REFER TO:
FIMO

Mr. Patrick Hegarty, President
Hegarty and Associates
27 C.R. 3025 -P.O. Box 1317
Aztec, New Mexico 87410

DEC 18 2000

DEC - 8 2000

Dear Mr. Hegarty:

Enclosed is an approved original amendment to Oil and Gas Mining Leases No. NO-G-9601-1296, Allotment No. 062599. The Amendment Lease is effective on December 04, 2000.

If you have any questions, you may contact Jeffrey Henry, at (505) 599-8967.

Sincerely,

William F. Blackwell
for Kevin Gambrell, Director

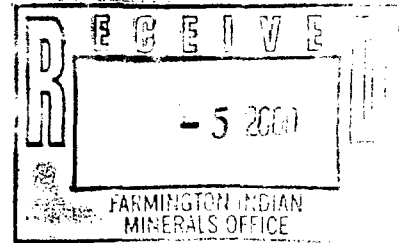
Enclosure



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

December 1, 2000

Kevin Gambrell - Director
Farmington Indian Minerals Office
1235 La Plata Hwy., Suite B
Farmington, NM. 87401-1805



Re: Letter of Understanding
Fannie Scott Lease
BIA - Lease No. NO-G-9601-1296
NW/4, Section 24, T26N, R13W
SAN JUAN COUNTY, NEW MEXICO

Dear Kevin:


I appreciate your involvement in the Fannie Scott meeting today to negotiate an amendment to the captioned Oil and Gas Lease that covers her lands.

Some of the investors involved in the drilling of the wells involving Fannie Scott's lands would like for me to secure a written assurance that the submission of the Notice of Staking qualifies as the "commence(ment of) operations" as specified in the attached Amendment To Oil Gas Mining Lease that was executed today. Further, I need a copy of the documentation that Fannie Scott signed, to properly document her acceptance of this matter.

Pardon this inconvenience, but it is important that all who invest in these wells are comfortable with the language of the Amendment Agreement and the manner within in which it is approved.

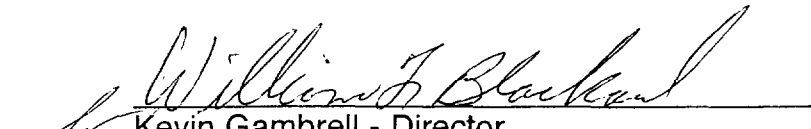
Please execute both original copies of this Letter of Understanding, returning one as indicated. I will follow up this letter with a telephone call. Thank You.

Sincerely,
DELHI-Trading Incorporated


Patrick Hegarty, President

PH/mac

The prior submission of the Notice of Staking for the Bartryley Navajo #1 and the Ryleybart Federal #1 is hereby qualified as the commencement of operations, as called for in the attached Amendment To Oil Gas Mining Lease.


Kevin Gambrell - Director
Farmington Indian Minerals Office
Date: 12/6/2000

FIMO Letter of Understanding

ORIGINAL

SIGN & RETURN
THIS COPY

Contract No. NO-G-9601-1296
Allotment No. 62599

To be attached to and become a part of the lease agreement.

Initials _____

In witness whereof, the said parties have hereunto subscribed their names or affixed their seals on the day and year first above mentioned.

Two witnesses to execution by lessor:

LESSOR

P. O. _____

Fannie M. Scott
Fannie Scott
Census No 780U011071

P. O. _____

ACKNOWLEDGEMENT OF NOTARY

STATE OF New Mexico

COUNTY OF San Juan

Before me, a notary public, on the 1st day of December, 2000, personally appeared Fannie M. Scott, to me known to be the identical person who executed the within and foregoing lease, and acknowledged to me that she executed the same as her free and voluntary act and deed for the use and purpose therein set forth.

[SEAL]

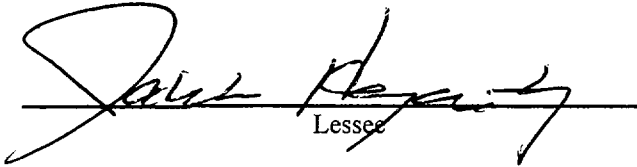
My commission expires: 4-22-2002

[Signature]
Notary Public

AMENDMENT TO OIL AND GAS MINING LEASE

Lease Number NO-G-9601-1296
Township 26 North, Range 13 West, Section 24: NW1/4
San Juan County, New Mexico, N.M.P.M.
is amended as follows:

If lessee shall commence operations necessary for drilling on or before midnight on the last day of the primary term of this lease and shall continue until the well is fully completed to production, or such well is plugged or abandoned, and if oil or gas, or either of them be found in paying quantities, this lease shall continue and be in force with like effect as is such well had been completed within the primary term of years being first mentioned.



Lessee

12-1-00

Date

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS



Farmington Indian Minerals Director

12-1-00

Date

\$4,000 paid for consideration.



27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

Wayne L. Ransbottom, Land Manager
Marathon Oil Company
P.O. Box 552
Midland, Texas 79702

November 1, 2000

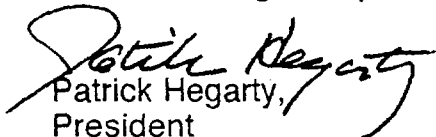
Re: Authority To Transact Business
IND. Allotted L.se # NO-G-9601-1299
NW/4, T26N, R13W, SJC, N.M.

Gentlemen:

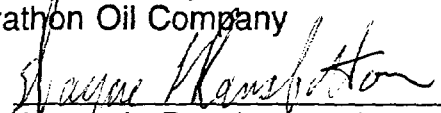
Under the terms and provisions of that certain Term Assignment made effective May 1, 2000, Marathon Oil Company has given Patrick Hegarty, with DELHI-Trading Incorporated the right to drill a well involving the captioned lands, including revising the lease terms, necessary to complete such drilling. Patrick Hegarty also has permission to access all governmental agencies records as it relates the captioned lease.

It is hereby acknowledged that Elm Ridge Resources will be the designated Operator for the drilling of the Bartryley Navajo #1 well, as set out in that certain Notice Of Staking submitted to the BLM on October 31, 2000.

Very truly yours,
DELHI-Trading Incorporated


Patrick Hegarty,
President

Permission to Access Records and Revise
Lease Terms Granted
this 6th day of November, 2000.
Marathon Oil Company

BY: 
Wayne L. Ransbottom, Land Manager
phone: 915-687-8486

PH/mac

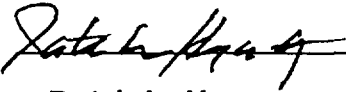
Marathon BIA APR

ORIGINAL

SIGN & RETURN
THIS COPY

NOTICE OF STAKING

| | |
|--|--|
| 1. Oil well: Gas Well: <input checked="" type="checkbox"/> Other: | 6. Lease Number: NM-31059 |
| 2. Operator: Elm Ridge Resources | 7. Indian, Allottee, or Tribe: |
| 3. Contact Person: Patrick Hegarty | BLM |
| 4. Address & Phone No. of Operator or Agent Agent: Patrick Hegarty-DELHI-Trading Inc. P.O. Box 1317 Aztec, N.M. 87410 (505) 334-4993, 334-4992 fax | 8. Unit Agreement Name: 9. Lease Name: Ryleybart Federal 10. Well Number: 1 11. Field or Wildcat Name: Basin Fruitland Coal |
| 5. Surface Location of Well: 1040'FEL, 1350'FNL | 12. Sec., T., R., Blk and Survey, or Area: 24, T26N, R13W |
| 15. Formation Objective(s): Fruitland Coal | 13. County: San Juan |
| 16. Estimated Well Depth: 1340' | 14. State: New Mexico |
| 17. Additional Information: Surface Owner: NAPI P.O. Drawer 1318 Farmington, NM 87499 | |

18. Signed:  Title: **AGENT** Date: **October 30, 2000**
 Printed Name: **Patrick Hegarty**

YOUR FILE COPY

District I
190 Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|-----------------|--|---|--|-------------------------------------|----------------------|
| 1 API Number | | 2 Pool Code 71629 | | 3 Pool Name BASIN FRUITLAND COAL | |
| 4 Property Code | | 5 Property Name RYLEYBART FEDERAL | | | 6 Well Number 1 |
| 7 OGRID No. | | 8 Operator Name DELHI-TRADING INCORPORATED | | | 9 Elevation 6089' |

10 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| A | 24 | 26N | 13W | | 1305' | NORTH | 1040' | EAST | SAN JUAN |

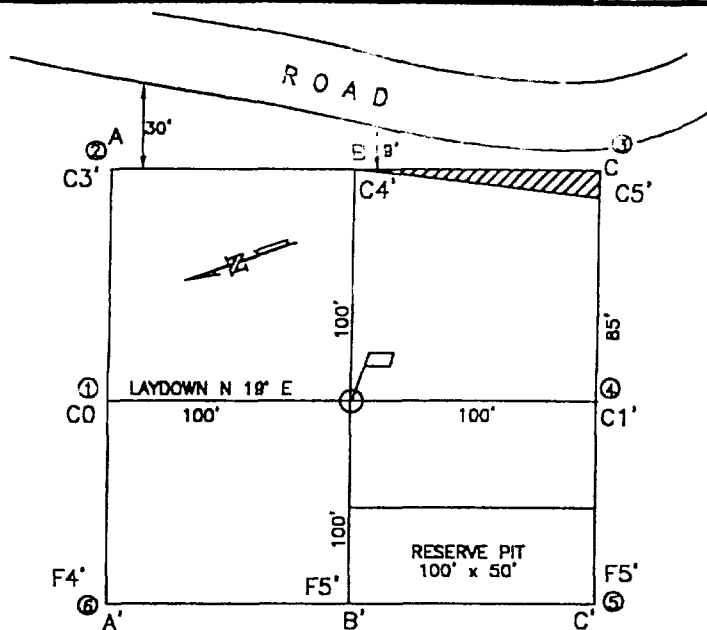
11 Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|

| 12 Dedicated Acres | 13 Joint or Infill | 14 Consolidation Code | 15 Order No. |
|--------------------|--------------------|-----------------------|--------------|
| 320 | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | |
|--|--|--|--|
| | | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Patrick Hebert</u> Printed Name: <u>PATRICK HEBERT</u> Title: <u>PRESIDENT</u> Date: <u>10-24-00</u> | |
| | | 18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: <u>10/05/00</u> Signature and Seal of Professional Surveyor: Certificate Number: <u>11393</u> | |



ELEVATION A-A'

| | | C/L | | |
|------|-------|-------|-------|-------|
| 6109 | | | | |
| 6099 | | | | |
| 6089 | | | | |
| 6079 | | | | |
| 6069 | | | | |

B-B'

| | | C/L | | |
|------|-------|-------|-------|-------|
| 6109 | | | | |
| 6099 | | | | |
| 6089 | | | | |
| 6079 | | | | |
| 6069 | | | | |

C-C'

| | | C/L | | |
|------|-------|-------|-------|-------|
| 6109 | | | | |
| 6099 | | | | |
| 6089 | | | | |
| 6079 | | | | |
| 6069 | | | | |

COMPANY: DELHI - TRADING, INC.

LEASE: RYLEYBART FEDERAL #1

FOOTAGE: 1305' FNL, 1040' FEL UNIT A

SEC. 24 TWN. 26-N RNG. 13-W N.M.P.M.

COUNTY, SAN JUAN STATE, NM

ELEVATION: 6089

LATITUDE: 36-28-38

LONGITUDE: 108-09-52

DELHI - TRADING, INC.
FARMINGTON, NEW MEXICO

SURVEYED: 10/5/00

REV. DATE:

APP. BY H.B.

DRAWN BY: T.G.

DATE DRAWN: 10/17/00

FILE NAME: HED02CF1

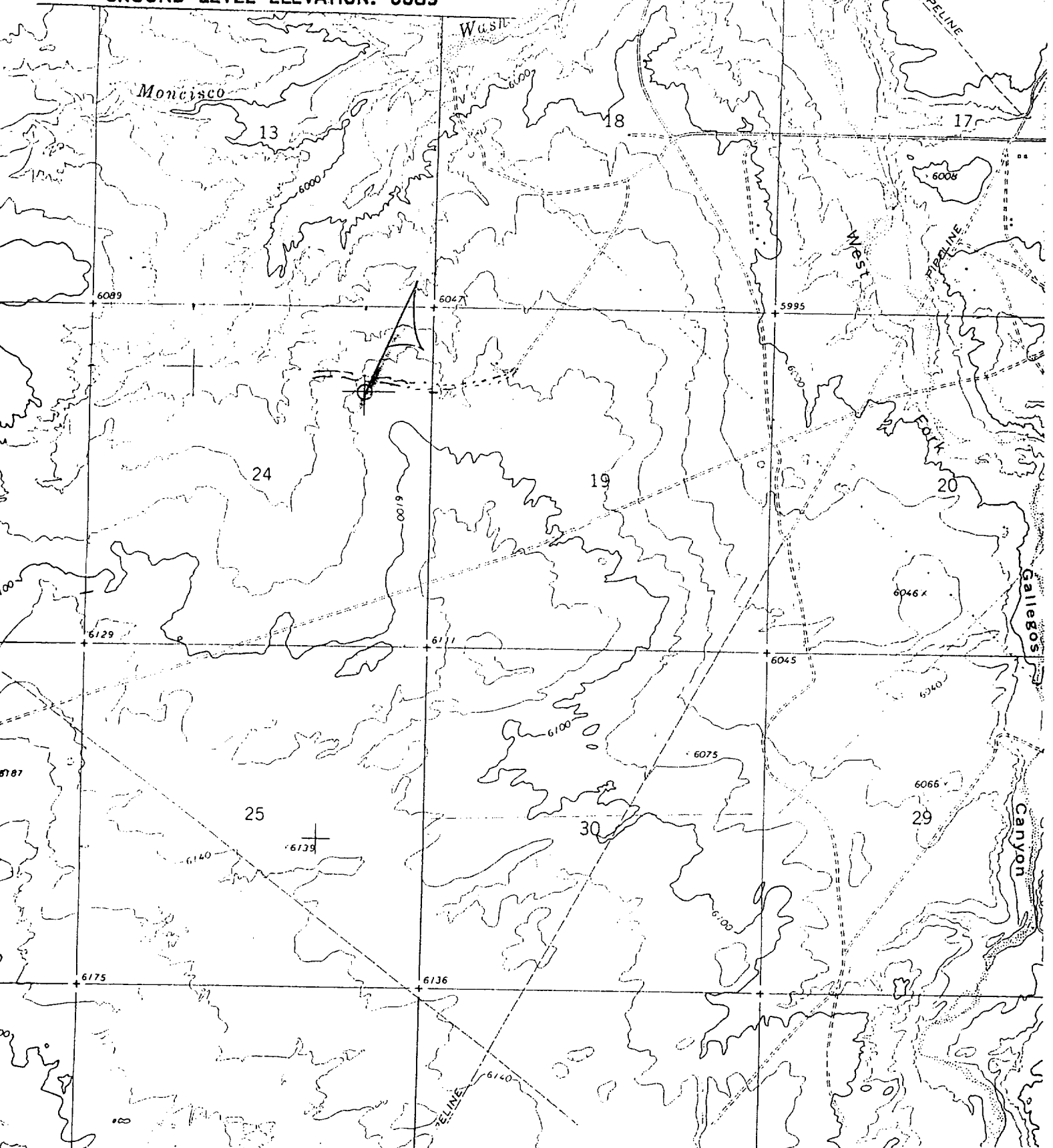
UNITED
FIELD SERVICES INC.

P.O. BOX 3651
FARMINGTON, NM 87499
OFFICE: (505)334-0408

DELHI — TRADING, INC.
RYLEYBART FEDERAL #1

1305' FNL, 1040' FEL

NE/4 SEC.24, T-26-N, R-13-W, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO
GROUND LEVEL ELEVATION: 6089





27 C.R. 3025 • P.O. BOX 1317
AZTEC, NEW MEXICO 87410
(505) 325-5449 • FAX: (505) 334-4992
E-MAIL: synergy@cyberport.com

September 11, 2000

VIA FEDEX

Jane Wooldridge, Senior Landman
devon ENERGY CORPORATION
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

RE: Proposal to Purchase
7.5% WI NE/4, 24 T26N, R13W
San Juan Basin, N. M.

Dear Jane:

As discussed, I want to purchase devon's 7.5% operating rights interest in federal lease NM NM-31059 covering the captioned lands, surface to 100 feet below the base of the Pictured Cliffs horizon. We are in need of this interest in order to drill a Fruitland/Pictured Cliffs test well in the NE/4 of section 24, T26N, R13W in San Juan County, New Mexico. Enclosed please find a BLM Record Title and Operating Rights Title Report that was completed about two years ago. You will see that devon's interest is shown as "Santa Fe Energy". Also the enclosed Operating Agreement dated January 1, 1978 sets out devon's interest as "Trend", see tabs marked "ownership Int." and "legal description".

Edwards Energy Corp. owns the remaining interest and is renowned for not paying his bills. As such, we will have to force pool this interest. By acquiring devon's interest I will be able to force pool Edwards' interest under the referenced Operating Agreement. This will greatly simplify the force pool process.

I own the rights to the **NW/4** of section 24, 26/13. The Fruitland Coal Proration Unit for the proposed well will be the north half of said section.

I am willing to pay \$5,000.00 for devon's net 12 acres in NE/4 of section 24, 26/13.. This offer works out to be about \$412.00 per acre, which is eight times the price paid for the offset lease in the NE/4 of this section. If acceptable please have all copies of the enclosed BLM assignment of Operating Rights executed. Please fax one copy to 505-334-4992. Upon receipt I will FEDEX a check in the amount of \$5,000.00. After which, returning all copies of said assignment will be appreciated.

Your prompt attention to this matter is appreciated.

Very truly yours,
DELHI-Trading Incorporated



Patrick Hegarty,
President

PH/mac

enclosures

DEVON DNTF Op. Agr.