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**D.J. SIMMONS, INC.**

August 6<sup>th</sup>, 2001

CERTIFIED MAIL-RETURN RECEIPT

Forcenergy Onshore, Inc.  
C/O Forest Oil Corporation  
1600 Broadway, Suite 2200  
Denver, Colorado 80202

T. H. McElvain Oil & Gas Limited Partnership  
1050 17<sup>th</sup> Street, Suite 1800  
Denver, Colorado 80265

Dugan Production Corporation  
709 East Murray Drive  
Farmington, New Mexico 87499

RE: Two Well Proposal  
Bishop Federal #25-1 Well, NE/4 of Section 25  
Bishop Federal #25-2 Well, SE/4 of Section 25  
Township 25 North – Range 3 West, NMPM  
Section 25: E/2 Unit  
Rio Arriba County, New Mexico

Ladies/Gentlemen:

By certified letter dated June 7<sup>th</sup>, 2001, D. J. Simmons, Inc. invited you to participate in the drilling and completion of the above referenced wells. To clarify, your cost in the Bishop Federal #25-1 well would be your proportionate share of drilling to the Mesaverde formation, and if productive, the cost of completing the Mesaverde formation. Your cost for the Mesaverde in the Bishop Federal #25-2 well would be the same as outlined above for the Bishop #25-1 well.

The interest of the participants in the wells and units would be as follows:

Bishop #25-1 and #25-2, E/2 Mesaverde Unit and/or #25-1, NE/4 Dakota Unit.

D. J. Simmons, Inc.	75.000%
Forcenergy Onshore, Inc.	12.500%
T. H. McElvain Oil & Gas Limited Partnership	9.375%
Dugan Production Corporation	<u>3.125%</u>
	100.000%

Bishop #25-2, SE/4 Dakota Unit.

D. J. Simmons, Inc.	50.000%
Forcenergy Onshore, Inc.	25.000%
T. H. McElvain Oil & Gas Limited Partnership	18.750%
Dugan Production Corporation	<u>6.250%</u>
	100.000%

However, Simmons would welcome your participation in drilling to the Dakota formation in the Bishop #25-1 and therefore earn your proportionate percentage of the leasehold in the unit, from the surface of the earth down to the base of the Dakota formation or total depth, which ever is the lesser depth, for a percentage of the leasehold, drilling and completion costs.

As of this writing, the NMOCD has not ruled on the May 17<sup>th</sup>, 2001 Compulsory Pooling hearing, concerning a S/2 Section 23 Unit.

D. J. Simmons, Inc.

  
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A. B. Geren, Jr., President