TMBR/Sharp

User 5 - 70 User 5 - 70

May 3, 2002

CERTIFIED MAIL/RRR

Robert J. Bullock, Sr., Trustee f b o Robert J. Bullock, Jr. C/O Carter Castell 245 South Seguin New Braunfels, Texas 78139-5124

Re: Well Proposal – Blue Fin "25" No. 1 (the "Well") 1913 Feet FNL, 924 Feet FWL, Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Proposed Total Depth -13,200 feet subsurface or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. ("TMBR") proposes the drilling of the Well at the indicated location to an approximate depth of 13.200' subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure ("AFE") is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the E/2 NE/4 of said Section 25 in 2.8571 net mineral acres, or 3.5714%, for a N/2 unit participation of 0.8928%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

Robert J. Bullock, Sr., Trustee May 3, 2002 Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you with to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.

Dennis J. Hopkins, CPL Land Manager

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002, for participation in the Well for the 0.8928% ownership vested in Robert J. Bullock, Sr., Trustee.

By:			
Name:			
Title:			



Drilling, Inc.

Drawer 10970 Midland, Texas 79702-7970 015-699-5050

July 1, 2002

Rick Montgomery Cotton Bledsoe Tighe & Dawson P.C. P. O. Box 2776 Midland, Texas 79702-2776

Re: Robert J. Bullock, Sr., Trustee Blue Fin "25 No. 1 Well Proposal Lea County, New Mexico

Rick:

Our well proposal letter was sent to the above trustee, as trustee f/b/o Robert J. Bullock, Jr. in care of Carter Casteel. The return receipt was signed for May 7, 2002.

Mr. Casteel has sent a letter stating that he has been unable to locate Mr. Bullock. This was the only address of record on Mr. Bullock. A copy of Mr. Casteel's letter is enclosed for your reference. Based on this, when we do receive approval for the North-Half unit, the Bullock interest will be deemed to have been force-pooled and subject to such order.

This is being provided for your file and information. If there are any questions regarding it, please let me know.

Yours truly,

Depnis J. Hopkins

Enclosure

ma 07/01/07

CASTEEL & CASTEEL, P.L.L.C. ATTORNEYS AND COUNSELORS AT LAW 254 EAST MILL STREET NEW BRAUNFELS, TEXAS 78130-5118

TEL. (830)608-1611 FAX (830)608-0449

ARTER CASTEEL

BARRON CASTEEL

June 27, 2002

Denise J. Hopkins TMBR/Sharp Drilling Corp. Drawer 10970 Midland, Texas 79702-7970

> Re: Robert J. Bullock, Sr.. Trustee f/b/o Robert J. Bullock, Jr. Well Proposal - Blue Fin "25" No. 1(the "well") 1913 Feet FNL, 924 Feet FWL. Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Dear Ms. Hopkins:

This letter is to advise your office that I am unable to locate Mr. Bullock with regards to the above mentioned matter.

Should you have any further questions please feel free to contact my office.

Sincerely,

Cull (1sta-

CARTER CASTEEL

cc: Our File

cm6:Bullock.itr.wpd

	U.S. Postal Servi CERTIFIED M (Domestic Mail.)	ALCR		ce.Coverage Provided)	· · · ·
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	Restricted Delivery Fee (Endorsement Required)			Clerk: KHGFOG	
ä	Total Postage & Fees	\$	6.70	05/04/02	
	Sent To Robe	ert J	. Bullo	ck, Sr.]
7002	Street. Apt. No.: or PO Box No. 245	Soutl	n Segui	n	
Ĺ			nfels,		
	PS Form 3800, Januar	y 2001		See Reverse for Instructions	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. Article Addressed to: ROBERT J. BULLOCK, SR. 	B. Beceived by Barbar Name) C. Date of Delivery - C. Date of Delive
c/o CARTER CASTELL 245 SOUTH SEGUIN NEW BRAUNFELS, TX 78139-5124	3. Service Type Image: Service Type </td
2. Article Number (Transfer from service (abe/) 7002 0460	002 0073 5332

PS Form 3811, August 2001

Domestic Return Receipt

EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

A. Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M. Section 25: The North Half (N²), containing 320 acres, more or less

Lea County, New Mexico

B. Restrictions as to depth:

None

C. Parties subject to this Agreement and their respective percentages of interest:

TMBR/Sharp Drilling, Inc.99.10716%Robert J. Bullock, Sr., Trustee0.89284%

Total:

100.00000%

D. Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland, Texas 79702-7970 Telephone: (915) 699-5050 Facsimile: (916) 699-5085

Robert J. Bullock. Sr., Trustee f/b/o Robert J. Bullock, Jr. c/o Carter Castell 245 South Seguin New Braunfels, Texas 78139 Telephone: Facsimile: 3.APL - FORM 610RS - 1989

	who has prepared and circulated this form for execution, represents and warrant
that the torm was printed from me is in the	Secretion of the second of the second of the second s
	-vervement and Financing Statement, as hit is the statistical in computerized form a
	ons, or modifications, other than those made by strikethrough and or insertion
nu that are clearly recognizable as changes i	m-hitteren
	hall be effective as of the 20th day of
.v <u>2002</u> .	
ATTEST OR WITNESS:	OPERATOR
	TMBR Sharp Drilling, inc.
	Type or Print Name
	Tule Jeffery D. Phillips, President
	Date:
	-1001555. F O DOX 10970. VIUI2R0. 18X25 /9702-7970
ATTEST OR WITNESS:	NON-OPERATORS
	Type or Print Name
	Title:-Robert J. Bullock. Sr., Trustee Date:
	Address:
ATTEST OR WITNESS:	
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	By:
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	By:Type or Print Name
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- 3 -

EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South. Range 35 East. N.M.P.M. Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

TMBR/Sharp Drilling, Inc.	99.10716%
Robert J. Bullock, Sr., Trustee f/b/o Robert J. Bullock, Jr.	0. 89284 %

Total:

100.00000%

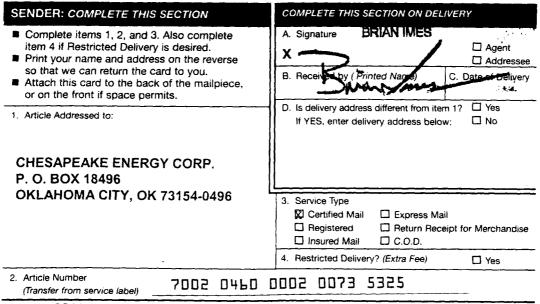
Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland. Texas 79702-7970

Robert J. Bullock. Sr., Trustee f/b/o Robert J. Bullock, Jr. c/o Carter Castell 245 South Seguin New Braunfels, Texas 78139

Ι	١R	ATICLE XVI.
2	MISC	CELL ANEOUS
;		
4	This agreement shall be binding upon and shall inure to) the henefit of the parties hereto and to their respective heirs, devisees,
4	ic 20) tenrescutatives (scelessors and assigns	
,		
-	This instrument may be executed in any number of counterp	parts, each of which shall be considered an original for all purposes
8		
a.	IN WITNESS WHEREOF, this agreement shall be effective	e as or 20th Juy of April Tyear)2002
10		
11	who has prepared	and circulated this form for execution, represents and warrants that the form
12		treal to the AAPL Form 610-1982-Model Form Operating Agreement: as
13		s. alterations, or modifications, other than those in Articles
14		have been made to the form
15		
16	() [PERATOR
17		
18		TMBR/SHARP DRILLING, INC.
19		
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21		D
22	<u></u>	Bv;
		Jeffrey D. Phillips, President
23		
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26	NON-	OPERATORS
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32		By:
33	Printed Name:	Printed Name: Robert J. Bullock, Sr., Trustee
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Postage \$ 3.50 UNIT ID: 0708 Certified Fee 2.10 Postmark Return Receipt Fee 1.50 Postmark Restricted Delivery Fee Clerk: KHGF0G Restricted Delivery Fee 05/04/02 Sent To 05/04/02 Street. Apt. No.; or PO Box No. P. O. Box 18496 City, State, ZIP+ 4 Oklahoma City, OK 73154-0496	mi	DKILAHOHA CI	TY, OK	73154	
Return Receipt Fee (Endorsement Required) 1.50 Postanark Here Restricted Delivery Fee (Endorsement Required) Clerk: KHGF0G Total Postage & Fees 7.10 05/04/02 Sent To Chesapeake Energy Corp. Street. Apt. No.; or PO Box No. P. O. Box 18496 City, State, ZIP+ 4 Oklahoma City, OK 73154-0496	m	Postage	\$	3.50	UNIT ID: 0708
Return Receipt Fee (Endorsement Recurred) 1.50 Here Restricted Delivery Fee (Endorsement Required) Clerk: KHGF0G Total Postage & Fees 7.10 05/04/02 Sent To Che sapeake Energy Corp. Street. Apt. No.; or PO Box No. P. O. Box 18496 City, State, ZIP+ 4 Oklahoma City, OK 73154-0496		Certified Fee			Destmark
Total Postage & Fees \$ 7.10 05/04/02 Sent To Chesapeake Energy Corp. Street. Apt. No.; or PO Box No. P. O. Box 18496 City, State, ZIP+4 Oklahoma City, OK 73154-0496	ы			1.50	Here
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Street. Apt. No.; or PO Box No. P. O. Box 18496 City, State, ZIP+4 Oklahoma City, OK 73154-0496	_	Total Postage & Fees	\$	7.10	05/04/02
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	70	City, State, ZIP+ 4 Ok PS Form 3800, Janua		a City,	OK 73154-0496 See Reverse for Instructions



PS Form 3811, August 2001

Land Department



May 22, 2002

VIA UNITED PARCEL SERVICE

Mr. Dennis Hopkins TMBR/Sharp Drilling, Inc. 4607 West Industrial Midland, TX 79703

Re: Blue Fin "25" No. 1 Section 25-16S-35E Lea County, New Mexico

Dear Mr. Hopkins:

Enclosed please find company check number 294983 in the amount of \$6,389.00 representing prepayment of Chesapeake's portion of the costs to casing point for the drilling of the captioned well. Also enclosed are the executed AFE, the executed JOA signature pages and two modified JOA pages. Please initial the modified JOA pages and return copies to Lynda Townsend.

If you have any questions, please call me at (405) 879-9374.

Sincerely,

Chesapeake Exploration Limited Partnership

(alight Lua

Sara L. Caldwell Land Tech

Enclosure

S:\NM-TXPAN\Letters\SLC\TMBR Sharp-Hopkins-20020522.doc

TMBR/ Sharp Drilling, INC.			AFE Number #1 23-Apr-02		
	AUTHORIZATION FOR EN		Well No :.		
se Name	l l	County-Parish Lea	Location: 1913' EN1 & 924' FWL 1826, 25, T16	S. R 35E	
\cct		COST TO	COMPLETION	TOTAL	
ode	INTANGIBLE DESCRIPTION	CASING POINT	L COST	WELL COST	
	Surveys Permits / Bonds	1200		1.200	
	Rouds Execution/Damages Mob-demon	30000	* i	30,000	
	Driling Contract-	27000		27.000	
	Duywork 50days At \$8520 day.	400440	25.560	426,000	
-	Completion Unit: 15 days At \$ 2000 day			30,000	
4	Mud/Chemicals	35000		35.000	
)	Water	18000	3.000	21.000	
i	Cement/Cementing Services	20000	36.000	56.000	
	Fuel/Electricity/Generator/lights	28200		30.000	
	Bits	65000		65,000	
1	Reamers: stabilizers Service Equipment	15000	5,000	15,000	
	Equipment rentals	2000	35.000	45.000	
	Wire line Unit	10000	33.000	45.000	
1	Mud Logging/Paleo/Bioassay	18000		18.000	
	Open Hole Logging	25000	25,000	50.000	
	Drill Stem Testing and coring	20000		20,000	
20	Tubular Inspection/Testing	3000	1,500	4.500	
21	Transportation (land)	3000	2.000	5.000	
22	Equipment inspection/testing	2500	2,000	4,500	
23	Casing Crews/Tongs	4500	5,000	9,500	
	Drilling Overhead	6500	1.500	8.000	
25	Supervision	2750	5,500	8,250	
26	Cased Hole Logging & Perf		5,500	5.500	
27	Stimulation		100,000	100,000	
28	Production Testing Completion Fluids		10,000	2,500	
29 30	Fishing Tools. Supervisor	5000	2,500	5,000	
31	Contract labor	2500	3.000	5,500	
32	Insurance	8756	2.919	11,675	
		15000		15.000	
	Contingency (7%)	53784	21195	\$74,979	
TOTA	L INTANGIBLE ESTIMATED COST	\$822.130	\$323,974	\$1,146,104	
TANG	BIBLE DESCRIPTION				
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3-		· ·····		65.000	
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39		^g	143,750	143,750	
40 41			8,625	8.625	
42		·	44,160	44,160	
43					
44		<u> </u>			
45		4,200	9,000	13,200	
46	Float Equipment	4,000	7,000	11,000	
47	Liner Equipment		12,000	12,000	
	Pumping Unit / Base / Engine				
	Sucker rods, Polished Rods				
	Producing Equipment, Tank Battery, Flowline	ļ	60.000	60,000	
	Flowlines, Vavles, Fittings/Connections		8,000	8,000	
	Packers & Other Subsurface Tools		6,500	6,500	
	Compressor Miscelaneous Sale Items		5 000	5,000	
	Conungency (7%)	5,667	5.000	26,949	
	L TANGIBLE ESTIMATED COST	\$86,617	\$325,317	\$411,934	
_	L AFE ESTIMATED COST	\$908.747	\$649,291	\$1,558.038	
	ROVAL AND ACCEPTANCE		ED THAT AMOUNTS HEREIN ARE ESTIMATES		
_		OF THIS AUTHO	DRIZATION SHALL EXTEND TO THE ACTUAL C	OSTS INCURRED IN	
Partic	apant Chesapeake Operating, Inc.		G THE OPERATION SPECIFIED, WHETHER MOR	E OR LESS THAN THE	
W.I.	0.7031%	HEREIN SET OL		DC#	
-		I Wish to be covered by TMBR/Sharp's blow out insurance.			
Title	Aubrov K. McClendon, CEO	X 1 DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.			
C .	Aubrey K. McClendon, CEO		Date May 15, 2002		
Sign	acure for the care		Date, 2002		
	×				

TMBR/Sharp

Drilling; Inc::

Drawer 10970 Adiand Texas 79702-7970 +15-699-5050

May 3, 2002

CERTIFIED MAIL/RRR

Chesapeake Energy Corp. P. O. Box 18496 Oklahoma City, Oklahoma 73154-0496

Re: Well Proposal – Blue Fin "25" No. 1 (the "Well") 1913 Feet FNL, 924 Feet FWL, Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Proposed Total Depth -13.200 feet subsurface or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth.

Gentlemen:

TMBR/Sharp Drilling, Inc. ("TMBR") proposes the drilling of the Well at the indicated location to an approximate depth of 13.200' subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure ("AFE") is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the W/2 NE/4 of said Section 25 in 2.2500 net mineral acres, or 2.8125%, for a N/2 unit participation of 0.7031%.

The leases owned by you and the associated ownership rights are set forth in greater detail on Exhibit "A", attached hereto. A proposed form of Operating Agreement is enclosed for your consideration.

Chesapeake Energy Corp. May 3, 2002 Page Two

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement. The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you with to farmout or enter into a term assignment of your leasehold interest we would be happy to discuss such a trade with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.

Denvis J. Hopkins. CPL Land Manager

AGREED AND ACCEPTED THIS <u>15th</u> DAY OF <u>May</u>, 2002. for participation in the Well for the 07031% ownership vested in Chesapeake Energy Corp.

Operating, Inc.

Bv: McClendon Aubrev Title: CEO

EXHIBIT "A"

-

Attached to that certain Well Proposal Letter Agreement dated May 3, 2002 between TMBR/Sharp Drilling, Inc. and Chesapeake Energy Corp. as to lands located in the N/2 of Section 25-16S-35E, N.M.P.M., Lea County, New Mexico.

Lease Dated:	November 11, 1998
Recorded:	Book 920, Page 128
Extension:	Book 1107, Page 481
Lessor:	Carl A. Schellinger et ux
Lessee:	Chalfant Properties, Inc.
Legal Description:	Township 16 South, Range 35 East, N.M.P.M.
	Section 25: W/2 NE/4

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A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

ARTICLE VIII continued

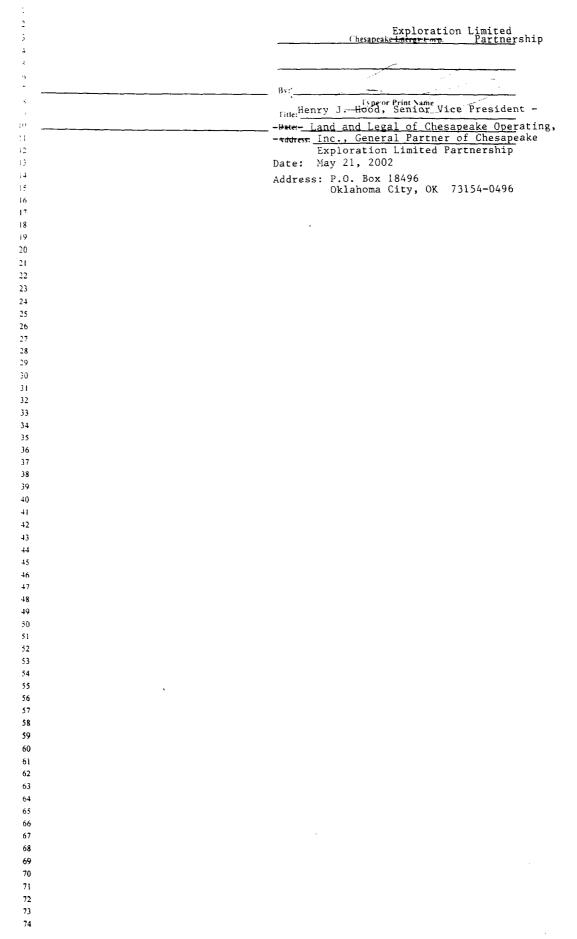
said Drilling Parties shared the cost of drilling the well. Such acreage shall become a senarate Contract Area and, to the extent possible, be 2 governed by provisions identical to this agreement. Each party shall promotivinous and other parties of any acreage or cash contributions if may obtain in support of any well or any other operation on the Contract Area . The above provisions shall also be applicable to op-4 sional rights to earn acreage outside the Contract Area which are in support of a well drivled inside the Contract Area I any party contracts for any consideration relating to disposition of such party 5 share - (Substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIUC ъ. - +laintenance of t-niform interests-10 11 12 a)])] 13 14 15 intire interest of the party in all leases and equipment and produc 16 1.75 an equal undivided interest in all leases and equipment and production in the Contract Area 18 19 uch sale: encumbrance: transfer or other disposition 20 21 27 e the interest of any is divided am 23 appoint a single trustee or البية طعب 24 s share of the toim expenses, and to deal generally and with now at to bin 25 26 **a** e 1 27 28 29 E. Waiver of Rights to Partition: 30 31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an 32 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severality its undivided 33 interest therein 34 35 F. Preferential Right to Purchase: 36 37 any-party desire to sell all or any part of its interests under this agreement 38 Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale. unich.chall مطع عماه 30 name and address of the prospective purchaser (who must be ready e price, and all of 40 of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notion 41 on the se terms and conditions the interest which the other party proposes to sell, and, if this option nal right-is-42 ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par 43 ties -- However, there shall be no preferential right to purchase in those where any party 44 dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary 45 or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock. 46 47 ARTICLE IX. 48 INTERNAL REVENUE CODE ELECTION 40 50 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association 51 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and habilities hereunder are several 32 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax 53 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded 54 from the application of all of the provisions of Subchapter "K", Chapter I, Subtitle "A", of the Internal Revenue Code of 1986, as per-55 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-56 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the 57 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, 58 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further 59 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the 60 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other 61 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract 62 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter I, 63 Subtitle "A", of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is per-64 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-65 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the 66 computation of partnership taxable income. 67 68 69

	ARTICLE X	VI.
2	MISCELLANE	COUS
	Dus agreement shall be binding upon and stall indre to the bene ledal representatives, successors and assigns	fit of the parties hereto and to their respective heirs, devisees,
-	This instrument may be executed in any number of counterparts, each	 et which shall be considered an original for all purposes.
, 1.1	IN WITNESS WHEREOF, this agreement shall be effective as of	20th day of (year)2002
	who has prepared and streak	atal the form the availation concerning and degranic that the form
:2	with printed from and with the exception inited below in identical to the	•
13	published in diskette form by Forms On-A Disk. Inc. Accordinges, alteration	
-14		have been made to the form.
uf To	OPERAT	
-	UPENAL	
18		TMBR/SHARP DRILLING, INC.
19		
20 21		By:
22		By:Jeffrey D. Phillips, President
23		
24		
25		
26	NON-OPER :	A T O R S
- 28		
29	VATES PETROLEUM CORPORATION	YATES DRILLING COMPANY
30		
31		
32		By:
34	Printed Name: Printed Title:	Printed Name: Printed Title:
35		
36	MVCO INDUSTRIES, INC.	ABO PETROLEUM CORP
37		
38		
39 46	Printed Name:	By: Printed Name:
41		Printed Title:
42		
43	CHESAPEAKE ENERGY CORP.	
44	Chesapeake Exploration Limited Partnersh	ıp
45 46		
40		By:
48	Printed Name: Henry J. Hood	Printed Name:
49	Printed Title: Senior Vice President-Land and	Printed Title:
50	Legal of Chesapeake Operating,	
51 52		xploration
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STATE OF TEXAS \$ COUNTY OF MIDLAND \$

This instrument was acknowledged before me on the 20^{ad} day of April, 2002 by Jeffrey D. Phillips. President of TMBR/Sharp Drilling. Inc., a Texas corporation, on behalf of said corporation.

	Notary Public, State or
	Printed Name: Commission Expires:
STATE OF § COUNTY OF §	
COUNTY OF §	
This instrument was acknowledged be	efore me on theday of2002 by
	. a
corporation. on be	hair of said corporation.
	Notary Public. State of
	Printed Name: Commission Expires:
STATE OF S	
This instrument was acknowledged by	efore me on theday of2002 by
of	
corporation, on be	chalf of said corporation.
	Notary Public, State of
	Printed Name: Commission Expires:
STATE OF	
COUNTY OF §	
This instrument was acknowledged b	erore me on theday of2002 by
	Notary Public, State of
	Printed Name: Commission Expires:
STATE OF S	
COUNTY OF OKLAHOMA	
This instrument was acknowledged the Henry J., Handhaw, Senior Vice Preside	pefore me on the ^{21st} day of ^{May} 2002 by ent - Land and Legal of Chesapeake Operating, Inc.,
General Butthe 22 Chesapeake Expl	loration Limited Partnership.
PUD 4	Notary Public, State of Oklahoma
NAND KOR	Printed Name: Sandra L. Mathis
E C TAHOMA	Commission Expires: May 5, 2006 Commission Number: 02007791
This instrument was acknowledged b Henry J. HomminiSenior Vice Preside General Balling Chesapeake Expl NAD CA STATE OF MAD CONTROL MAD CONTROL MAD CONTROL MAD CONTROL MAD CONTROL	Commission Expires:



STATE OF TEXAS COUNTY OF MIDLAND

11. 14.

This instrument was acknowledged before me on the 20^{an} day of April 2002 by Jeffrey D. Phillips. President of TMBR/Sharp Drilling. Inc., a Texas corporation, on behalf of said corporation.

, ,

	Notary Public. State of Printed Name: Commission Expires:
STATE OF § COUNTY OF §	
	ore me on theday of2002 by
	Notary Public, State of Printed Name: Commission Expires:
STATE OF	
This instrument was acknowledged bet	fore me on theday of2002 by
STATE OF	Notary Public, State of Printed Name: Commission Expires: fore me on theday of 2002 by
	Notary Public, State of Printed Name: Commission Expires:
STATE OF OKLAHOMA § COUNTY OF OKLAHOMA §	
This instrument was acknowledged be Henry J. Hood, Senior Vice Presiden General Partner of Chesapeake Explo MORAL MANNE PUBLIC NAMO FOR STATE OF DE ALONITION MANNE CONTINUE	fore me on the ^{21st} day of May 2002 by t - Land and legal of Chesapeake Operating, Inc., ration Limited Partnership. <u>////////////////////////////////////</u>

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED APRIL 20. 2002. BY TMBR/SHARP DRILLING, INC., OPERATOR,

1. Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverages with limits not less than those specified below:

А.	Worker's Compensation	Statutory
	Employer's Liability	\$100.000 each accident
В.	Comprehensive General Liability including:	
	(a) property damage and bodily	
	injury liability including.	
	but not limited to, losses	
	resulting from explosion.	
	collapse, underground damage;	
	and	CL 000 000
	(b) contractual liability assumed	\$1,000.000 Combined single limit
	under this Agreement.	Combined single limit
C.	Comprehensive Automobile Liability	
	covering owned, non-owned and hired	\$1,000,000
	vehicles.	Combined single limit
D.	Umbrella Liability	
	in excess of A (except Worker's	\$20,000.000
	Compensation), B and C above	Combined single unit
Ε.	Cost of Well Control and Operator's	\$5,000,000 OEE and
	Extra Expense, including Care,	Well Control
	Custody, and Control Coverage	\$250.000 CCC

2. The insurance described in Labove shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement.

3. Operator shall use every reasonable effort to have its contractors and subcontractors comply with applicable Worker's Compensation laws, rules, and regulations and carry such insurance as Operator may deem necessary, unless a Non-Operator provides evidence that it will provide it a + w coverage.

4. Operator shall not be liable to Non-Operator for loss suffered because of insufficiency of the insurance procured and maintained for the Joint Account nor shall Operator be liable to Non-Operator for any loss occurring by reason of Operator's inability to procure or maintain the insurance provided for herein, and if at any time during the term of this Agreement. Operator is unable to procure or maintain said insurance. Operator shall promptly so notify Non-Operator in writing.

5. In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the Joint Account and borne by the parties in accordance with their respective percentage of participation as determined by this Agreement.

6. Any party hereto may individually and at its own expense procure such additional insurance as it desires; provided, however, that such party shall obtain waivers by t he insurer of all right of subrogation in favor of the other parties.

	U.S. Postal Servi CERTIFIED M (Domestic Mail)	AIL RE		e Coverage Provided)	
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528	Artesia, N	N 8821(0		
m	Postage	\$	3.50	UNIT ID: 0708	
700	Certified Fee	1	2.10		
	Return Receipt Fee (Endorsement Required)		1.50	Postmark Here	
0005	Restricted Delivery Fee (Endorsement Required)		7 10	Clerk: KHGFOG	
å	Total Postage & Fees	\$	7.10	05/04/02	
046	Sent To Yates Petroleum Corp. etal				
7002	Change And Min .				
20	City, State, ZIP+ 4	tesia		8210	
	PS Form 3800, Janua	ry 2001		See Reverse for Instructions	

.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
 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. Article Addressed to: 	A. Signature X Agent Addressee B. Received by (<i>Printed Name</i> AY, P. Batel Celivery D. Is delivery address different from item 1? Yes	
YATES PETROLEUM CORP ETAL 105 SOUTH 4 TH STREET	If YES, enter defivery address below: INO	
ARTESIA, NM 88210	3. Service Type Ø Certified Mail Express Mail Pregistered Return Receipt for Merchandise Insured Mail C.O.D.	
	4. Restricted Delivery? (Extra Fee) Yes	
2. Article Number (Transfer from service label) 7002 0460 (002 0073 5288	

PS Form 3811, August 2001

Domestic Return Receipt

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105 South Fourth Street Artesia, NM 88210

June 21, 2002

TMBR/Sharp Drilling, Inc. Drawer 10970 Midland, TX 79702-7970

RE: Blue Fin "25" No. 1 1913' FNL & 924' FWL Sec 25, T16S-R35E Lea County, New Mexico

Gentlemen:

Please find enclosed your AFE and JOA signature pages to the captioned well which have been fully executed by Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

et Buller

Robert Bullock Landman

RB:bn enclosure(s)

TMBR/Sharp

Drilling, Inc.

Drawer 10970 Midland, Texas 79702-7970 115-699-5050

May 3, 2002

CERTIFIED MAIL/RRR

Yates Petroleum Corporation (70%) Yates Drilling Company (10%) MYCO Industries, Inc. (10%) Abo Petroleum Corp. (10%) 105 South 4th Street Artesia, New Mexico 88210

Re: Well Proposal – Blue Fin "25" No. 1 (the "Well") 1913 Feet FNL, 924 Feet FWL. Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Proposed Total Depth -13,200 feet subsurface or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth.

Gentlemen:

TMBR/Sharp Drilling, Inc. ("TMBR") proposes the drilling of the Well at the indicated location to an approximate depth of 13,200' subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure ("AFE") is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the E/2 NE/4 of said Section 25 in 0.25000 net mineral acres, or 0.3125%, for a N/2 unit participation of 0.078125%.

The leases owned by you and the associated ownership rights are set forth in greater detail on Exhibit "A", attached hereto. A proposed form of Operating Agreement is enclosed for your consideration.

Yates Petroleum Corporation et al May 3, 2002 Page Two

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement. The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you with to farmout or enter into a term assignment of your leasehold interest we would be happy to discuss such a trade with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.

Dennis J. Hopkins, CPL Land Manager

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002, for participation in the Well for the 0.078125% ownership vested in Yates Petroleum Corporation, Yates Drilling Company, MYCO Industries, Inc., and Abo Petroleum Corp.

By:			
Name:			
Title:			

EXHIBIT "A"

Attached to that certain Well Proposal Letter Agreement dated May 3, 2002 between TMBR/Sharp Drilling, Inc. and Yates Petroleum Corporation, et al as to lands located in the N/2 of Section 25-16S-35E, N.M.P.M., Lea County, New Mexico.

Lease Dated:October 30, 2001Recorded:Book 1115. Page 603Lessor:Larry Hunnicutt, CustodianLessee:Yates Petroleum Corporation et alLegal Description:Township 16 South, Range 35 East, N.M.P.M.
Section 25: E/2 NE/4

No.1. Information INDEXEMPTION COMPLETION COST 25.560 30.000 3.0000 3.0000 3.0000 3.0000 3.0000 3.0000 3.00000 3.00000 3	R 35E TOTAL WELL COST 1,200 30,000 27,000 426,000 30,000 35,000 21,000 56,000 30,000 65,000 15,000 7,000 45,000 18,000 50,000 20,000 4,500 5,000
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EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M. Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County. New Mexico

Parties subject to this Agreement and their respective percentages of interest:

Total:	100.00000%
Abo Petroleum Corp.	0.07813%
MYCO Industries. Inc.	0.07813%
Yates Drilling Company	0.07813%
Yates Petroleum Corporation	0.54687%
Chesapeake Energy Corp.	0.70312%
TMBR/Sharp Drilling, Inc.	98.51562%

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland, Texas 79702-7970

Chesapeake Energy Corp. P. O. Box 18496 Oklahoma City, Oklahoma 73154-0496

Yates Petroleum Corporation Yates Drilling Company MYCO Industries, Inc. Abo Petroleum Corp. 105 South 4th Street Artesia, New Mexico 88210-2122

STATE OF TEXAS § COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 20ⁱⁿ day of April. 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of	
Printed Name:	
Commission Expires:	

STATE OF NEW MEXICO

COUNTY OF EDDY

The foregoing instrument was acknowledged before me this <u>20th</u> day of <u>June</u>, 2002 by PEYTON YATES, Attorney-in-Fact for YATES PETROLEUM CORPORATION and YATES DRILLING COMPANY, by JOHN A. YATES, JR., Attorney-in-Fact for ABO PETROLEUM CORPORATION and by FRANK YATES, JR., Attorney-in-Fact for MYCO INDUSTRIES, INC., all New Mexico corporations, on behalf of said corporations.

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My commission expires: 1-8-2004

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Notary Public, State of New Mexico Barbara Nelson

AAPL - FORM 610RS - 1989

	who has prepared and circulated this form for execution, represents and warrants
	e-exceptionis) listed below, is identical to the AAPL Form 610RS 1989 Model Agreement and Financing Statement, as published in computenzed form by
	tons, or modifications, other than those made by strikethrough and or insertion
	in Articles have been made to the form.
IN WITNESS WHEREOF, this agreement s	hall be effective as of the 20th day of
<i>ar</i> <u>2002</u> ,	
ATTEST OR WITNESS:	OPERATOR
	TMBR Sharp Drillling, Inc.
	Type or Print Name
	Title: Jeffery D. Phillips, President Date:
	Address: P O Box 10970, Midland, Texas 79702-7970
ATTEST OR WITNESS:	NON-OPERATORS
	Yates Petroleum Corporation
	Las allette o
	By By Eyten lates
	Title:
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	Address: 1. Such 12 anders (1) Fine
ATTEST OR WITNESS:	
	Yates Drilling Company
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	Address: 255 South att, Artesia, 211 55210
ATTEST OR WITNESS:	
	MYCO Industries, Inc.
	E. Maken C.
	By:
	Type or PrintName
	Date: <u>tr fit cit</u>
	Address: 165 Senth 10, freque fill 88210
ATTEST OR WITNESS:	
	Abo Petroleum Corp.
	Λ
	11 1 117.
	By: Arthur A. Metis
	Type or Print Name when A falos, iv.
	Title: 1266 , 100 ,
	Address: 05 Scuth 4th titesia WH 28210

ARTICLE XVI. MISCELLANEOUS				
;				
4 This agreement shall be binding upon and shall inure to 5 legal representatives, successors and assigns, 6	the benefit of the parties nereto and to their respective heirs, devisees,			
Chis instrument may be executed in any number of counterplay	parts, each of which shall be considered an original for all purposes.			
	as of 20th day of April (year) _2002			
0	and sirculated this form for execution, represents and warrants that the form			
2 was printed from and with the exception listed below. is ident	ical to the AAPL Form 610 1982 Model Form Operating Agreement, as			
published in diskette form by Forms On A Disk. Inc. No changes	allerations, or modifications, other than those in Articles			
5				
l6 ОР 17	ERATOR			
19	TMBR/SHARP DRILLING, INC.			
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21	By:			
23	Jeffrey D. Phillips, President			
24 25				
	OPERATORS			
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VATES PETROLEUM CORPORATION	YATES DRILLING COMPANY			
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 ⁴³ CHESAPEAKE ENERGY CORP. ⁴⁴ 				
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STATE OF TEXAS COUNTY OF MIDLAND

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\$ \$ \$ \$

This instrument was acknowledged before me on the 20th day of April. 2002 by Jeffrey D. Phillips. President of TMBR/Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of	
Printed Name:	
Commission Expires:	

STATE OF NEW MEXICO

COUNTY OF EDDY

The foregoing instrument was acknowledged before me this <u>20th</u> day of <u>June</u>, 2002 by PEYTON YATES, Attorney-in-Fact for YATES PETROLEUM CORPORATION and YATES DRILLING COMPANY, by JOHN A. YATES, JR., Attorney-in-Fact for ABO PETROLEUM CORPORATION and by FRANK YATES, JR., Attorney-in-Fact for MYCO INDUSTRIES, INC., all New Mexico corporations, on behalf of said corporations.

My commission expires: <u>1-8-2004</u>

Jacoba an 200

Notary Public, State of New Mexico Barbara Nelson

EXHIBIT "A"

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South, Range 35 East, N.M.P.M. Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

Total:	100.00000%
Abo Petroleum Corp.	0.07813%
MYCO Industries. Inc.	0.07813%
Yates Drilling Company	0.07813%
Yates Petroleum Corporation	0.54687%
Chesapeake Energy Corp.	0.70312%
TMBR/Sharp Drilling, Inc.	98.51562%

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland, Texas 79702-7970

Chesapeake Energy Corp. P. O. Box 18496 Oklahoma City, Oklahoma 73154-0496

Yates Petroleum Corporation Yates Drilling Company MYCO Industries, Inc. Abo Petroleum Corp. 105 South 4th Street Artesia, New Mexico 88210-2122

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

		882(02		
ΕC	lostage	\$	3.10	UNIT ID: 0708	
	Certified Fee		2.10		
ы С	Return Receipt Fee (Endorsement Required)		1.50	Postmark Here	
	Restricted Delivery Fee (Endorsement Required)			Clerk: KHGF0G	
Ы	Total Postage & Fees	\$	6.70	05/04/02	
	Branex Resources, Inc.				
7002	Street, Apt. No.;				
KOSWELL NM PODOD DDDD				202-2328	
1	PS Form 3800, January	2001	S	ee Reverse for Instructions	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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: 	A. Signature Agent X Addressee B. Received by (Printed Name) C. Date of Delivery
BRANEX RESOURCES, INC. P. O. BOX 2328 ROSWELL, NM 88202-2328	3. Service Type Gertified Mail Registered Insured Mail C.O.D. 4. Restricted Delivery? (Extra Fee)
2. Article Number (Transfer from service label) 7002 0460	0002 0073 5349

PS Form 3811, August 2001

Domestic Return Receipt

j,



SRANEX RESOURCES. INC. POST OFFICE BOX L328 ROSWELL, NEW MEXICO (18202-1328 (505) 627-3612 (1938) (505) 627-6353

May 6, 2002

Dennis J. Hopkins, CPL Land Manager TMBR/Sharp Drawer 10970 Midland, Texas 79702-7970

Re: Your AFE, JOA and Well Proposal dated May 3, 2002 and covering your "Blue Fin 25 No. 1 Well" to be located 1913' FNL & 924' FWL, Section 25, T16S-R35E, NMPM Lea County, New Mexico

Gentlemen:

The above items constitute the third well proposal that we have received or been notified about in Section 25, T16S-R35E, NMPM and it appears that the NMOCD still has to rule on certain items. I prefer to wait and see what final determinations that the NMOCD makes before I make a decision as to what we will do. As you are probably aware under NMOCD regulations, we have thirty (30) days after we receive a copy of the approved compulsory pooling order in order to either (a) participate with our interest in and to the subject well; or (b) simply be bound by the terms of the order. I do not desire to be uncooperative with TMBR/Sharp but I do think I am being prudent in awaiting the final orders of the NMOCD prior to my making a decision in this matter. Thank you.

Sincerely, Anom

F. Andrew Grooms, President Branex Resources, Inc.

cc. Jim Bruce

TMBR/Sharp

Drilling: Inc.

awer 10970 1 diano: Fykas 19702-7910 15-699-5050

May 3, 2002

CERTIFIED MAIL/RRR

Branex Resources, Inc. P. O. Box 2328 Roswell, New Mexico 88202-2328

Re: Well Proposal – Blue Fin "25" No. 1 (the "Well") 1913 Feet FNL, 924 Feet FWL, Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Proposed Total Depth -13,200 feet subsurface or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. ("TMBR") proposes the drilling of the Well at the indicated location to an approximate depth of 13,200' subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure ("AFE") is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the W/2 NE/4 of said Section 25 in 2.2500 net mineral acres, or 2.8125%, for a N/2 unit participation of 0.7031%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

Branex Resources, Inc. May 3, 2002 Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you with to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.

Dennis J. Hopkins, CPL Land Manager

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002, for participation in the Well for the 0.8928% ownership vested in Branex Resources, Inc.

Ву:			
Name:			
Title:			

U.S. Postal Services CERTIFIED MAN RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) -0 531. DALLAS. TX 75219 UNIT ID: 0708 E200 3.10 \$ Postage Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) 1.50 ы Here Clerk: KHGF0G Restricted Delivery Fee (Endorsement Required) 05/04/02 6.70 Total Postage & Fees \$ □ Total Por □ □ □ □ □ Sent To Robert M. Edsel Street. Apt. No.; or PO Box No. 3111 Welborn, No. 1604 Dallas, TX 7<u>5219-5023</u> PS Form 3800/ January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. Article Addressed to: ROBERT M. EDSEL 	A. Signature X. A. Signature X. A. Agent Agent Agent Agent Agent All Agent All Agent All Agent Agent Agent Agent Agent Agent Agent Agent Agent Agent Agent Agent Addressee D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No
3111 WELBORN, NO. 1604 DALLAS, TX 75219-5023	3. Service Type Image: Certified Mail Express Mail Image: Certified Mail Return Receipt for Merchandise Image: Image: Color Marchandle Image: Color Marchandle Image: Image: Color Marchandle Image: Color Marchandle Image: Color Marcha
2. Article Number (Transfer from service labe 7002 0460 00	02 0073 5318

PS Form 3811, August 2001

Domestic Return Receipt



Drillingsin

Trawer (10970 Cidiano, Texas (19702-1970) 13:549-3350

May 3, 2002

CERTIFIED MAIL/RRR

Robert M. Edsei 3111 Welborn, No. 1604 Dallas, Texas 75219-5023

Re: Well Proposal – Blue Fin "25" No. 1 (the "Well") 1913 Feet FNL, 924 Feet FWL, Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Proposed Total Depth -13,200 feet subsurface or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. ("TMBR") proposes the drilling of the Well at the indicated location to an approximate depth of 13,200' subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure ("AFE") is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the NW/4 NE/4 of said Section 25 in 0.5000 net mineral acres, or 1.2500%, for a N/2 unit participation of 0.1562%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

Robert M. Edsel May 3, 2002 Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you with to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.

Dennis J. Hopkins, CPL Land Manager

AGREED AND ACCEPTED THIS _____ DAY OF _____, 2002, for participation in the Well for the 0.8928% ownership vested in Robert M. Edsel.

By:		 	
Name:		 	
Title:		 	

	ARTICLE XVI.
	MISCELLANEOUS
This agreement shall be binding upon at	nd shall mure to the benefit of the parties hereto and to their respective heirs, devise
regal representatives, successors and assigns.	a similar none to the benefit of the parties hereto and to their respective fields, devised
This instrument may be executed in any ne	umber of counterparts, each of which shall be considered an original for all purposes
IN WITNESS WHEREOF, this agreement	shall be effective as of 20th day of April (year)2002
	the has prepared and circulated this form for execution, represents and warrants that the for
	d below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement
published in diskette form by Forms On A-Disk	. Inc. No changes, alterations, or modifications, other than those in Articles
	, have been made to the for
	ΟΡΕΓΑΓΟΓ
	TMBR/SHARP DRILLING, INC.
	By:
	Jeffrey D. Phillips, President
	NON-OPERATORS
	BRANEX RESOURCES, INC.
	_
Printed Name:	By:_By:
Printed Name: Printed Title:	Printed Name: Printed Title:
	By:
Printed Name:	Printed Name:
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Printed Title:	Printed Title:
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Attached to and made a part of that certain Joint Operating Agreement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

А. Lands subject to this Agreement:

Township 16 South. Range 35 East, N.M.P.M. Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

В. Restrictions as to depth:

None

С. Parties subject to this Agreement and their respective percentages of interest:

Total:	100.00000%
Branex Resources. Inc.	0.70312%
TMBR/Sharp Drilling, Inc.	99.29688%

Total:

D. Addresses of the parties to this Agreement:

TMBR/Sharp Drilling. Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland, Texas 79702-7970 Telephone: (915) 699-5050 Facsimile: (916) 699-5085

Branex Resources, Inc. P. O. Box 2328 Roswell, New Mexico 88202 Telephone: Facsimile:

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ATTEST OR WITNESS: OPERATOR TUBE Sharp Drilling, Inc. By. Type or Print Name Tube: Date: Date	IN WITNESS WHEREOF, this agreement shall be effective	e as of the 20th day of April
TMBR Sharp Drilling, Inc. Br Type or Print Name Tole: Address: NON-OPERATORS Br- Type or Print Name Br- Type or Print Name Br- Type or Print Name Branes Resources, Inc. Br- Type or Print Name Tule: Date: Address States Resources, Inc. Branes Resources, Inc. Address Address </td <td></td> <td></td>		
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Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South. Range 35 East. N.M.P.M. Section 25: The North Half (N/2), containing 320 acres. more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

Total:	100.00000%
Branex Resources, Inc.	0.70312%
TMBR/Sharp Drilling, Inc.	99.29688%

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland. Texas 79702-7970

Branex Resources. Inc. P. O. Box 2328 Roswell, New Mexico 88202

	ARTICLE XVI.
M	ISCELLANEOUS
This agreement shall be binding upon and shall mure	to the benefit of the parties hereto and to their respective heirs, devised
legal representatives, successors and assigns	t service of the particle nervice and to order respective nervice devised
This instrument may be executed in any number of count	terparts, each of which shall be considered an original for all purposes
IN WITNESS WHERFOF, this agreement shall be effect	tive as of 20th day of April (year) 2002
	ed and circulated this form for execution, represents and warrants that the for
	lentical to the AAPL Form 610-1982 Model Form Operating Agreement.
published in diskette form by Forms On-A-Disk. Inc. No chang	ges, alterations, or modifications, other than those in Articles
	have been made to the for
(OPERATOR
	TMBR/SHARP DRILLING, INC.
	By:
	Jeffrey D. Phillips, President
NON	N-OPERATORS
	By:
Printed Name:	Printed Name: Robert M. Edsel
Printed Title:	Printed Title:
	By:
Printed Name:	Printed Name:
Printed Title:	Printed Title:
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	By:
Printed Name:	Printed Name:
Printed Title:	Printed Title:
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Attached to and made a part of that certain Joint Operating Agreement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

A. Lands subject to this Agreement:

Township 16 South. Range 35 East. N.M.P.M. Section 25: The North Half (N/2), containing 320 acres. more or less

Lea County. New Mexico

B. Restrictions as to depth:

None

C. Parties subject to this Agreement and their respective percentages of interest:

Total:	100.00000%
Robert M. Edsel	015625%
TMBR/Sharp Drilling, Inc.	99.84375%

D. Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland, Texas 79702-7970 Telephone: (915) 699-5050 Facsimile: (916) 699-5085

Robert M. Edsel 3111 Welborn, No. 1604 Dallas, Texas 75219 Telephone: Facsimile:

.

	who has prepared and circulated this form for execution, represents and warrant
•	he exception(s) listed below, is identical to the AAPL Form 610RS-1989 Mode z Agreement and Financing Statement, as published in computerized form b
	tions, or modifications, other than those made by strikethrough and/or insertio
	in Articles have been made to the form
IN WITNESS WHEREOF, this agreement	shall be effective as of the _20th_ day of April
ATTEST OR WITNESS:	OPERATOR
	TMBR Sharp Drillling, Inc.
	By
	Type or Print Name
	Title. Jeffery D. Phillips, President
	Date
	nuursas. 1 (7 DUX 10770, Mutanu, 1088577702-7770
ATTEST OR WITNESS:	NON-OPERATORS
	Type or Print Name
	Title:-Robert M. Edsel
	Date: Address:
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	Title:

- 3 -

Attached to and made a part of that certain Model Form Recording Supplement to Operating Agreement and Financing Statement dated effective April 20, 2002, by TMBR/Sharp Drilling, Inc., Operator.

Lands subject to this Agreement:

Township 16 South. Range 35 East. N.M.P.M. Section 25: The North Half (N/2), containing 320 acres, more or less

Lea County, New Mexico

Parties subject to this Agreement and their respective percentages of interest:

Total:	100.00000%
Robert M. Edsel	0.15625%
TMBR/Sharp Drilling, Inc.	99.84375%

Addresses of the parties to this Agreement:

TMBR/Sharp Drilling, Inc. Attn: Jeffrey D. Phillips P. O. Box 10970 Midland, Texas 79702-7970

Robert M. Edsel 3111 Welborn, No. 1604 Dallas, Texas 75219

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

1063	RDSWELL, N	M 882	02			
m	Postage	\$	3.10	UNIT ID: 0708		
007	Certified Fee		2.10			
	Return Receipt Fee (Endorsement Requirea)		1.50	Postmark Here		
2000	Restricted Delivery Fee (Endorsement Required)			Clerk: KHGFOG		
ŋ	Total Postage & Fees	\$	6 .70	05/04/02		
0460	Sent To Harle, Inc.					
7002	Street, Apt. No.; or PO Box No. P. O. Box 2608					
2	ROSWEII, NA 00202_2000					
- 1	PS Form 3800, Janua	ry 2001		See Reverse for Instructions		

A. Signature
B. Received by (Printed Name), Z. C. Date of Delivery
D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No
3. Service Type 3. Certified Mail Certified Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.
4. Restricted Delivery? (Extra Fee) Yes

May 3, 2002

CERTIFIED MAIL/RRR

Harle, Inc. P. O. Box 2608 Roswell, New Mexico 88202-2608

Re: Well Proposal – Blue Fin "25" No. 1 (the "Well") 1913 Feet FNL, 924 Feet FWL, Section 25, T-16-S, R-35-E, N.M.P.M., Lea County, New Mexico

Proposed Total Depth -13,200 feet subsurface or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth.

Dear Mineral Owner:

TMBR/Sharp Drilling, Inc. ("TMBR") proposes the drilling of the Well at the indicated location to an approximate depth of 13,200' subsurface, or to a depth sufficient to test the Mississippian Formation, whichever is the lesser depth. Site preparation and drilling operations will be commenced in the next few days. An Authority for Expenditure ("AFE") is enclosed detailing estimated anticipated expenditures for the drilling, testing, casing, competing, stimulation and equipping of the Well.

The Real Estate Records of Lea County, New Mexico indicate that you are presently vested with ownership rights in the E/2 NE/4 of said Section 25 in 0.2500 net mineral acres, or 0.3125%, for a N/2 unit participation of 0.0781%.

A proposed form of our Operating Agreement is enclosed for your review and consideration.

Please indicate your desire to participate in the proposed Well by executing this letter in the appropriate space(s) below and returning one original signature page to the undersigned within thirty (30) days of receipt of this letter with a check for the appropriate percentage of the costs estimated on the AFE and the executed signature pages to the Operating Agreement

Harle, Inc. May 3, 2002 Page Two

The failure to respond to this proposal in the allowed time will be treated as an election not to participate in the Well, and your ownership rights will be recognized as would a non-participating co-tenant, and appropriate action will be taken with the New Mexico Oil Conservation Division to consolidate these interests into the N/2 spacing unit for the Well. As an alternative, should you with to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

TMBR/SHARP DRILLING, INC.

Dennis J. Hopkins, CPL

Dennis J. Høpkins, CPL Land Manager

AGREED AND ACCEPTED THIS <u>IC</u> DAY OF <u>IC</u>, 2002, for participation in the Well for the 0.0281% ownership vested in Harle, Inc.

By: <u>- iccel¹ [factions</u> Name: <u>Athend State</u>, MARLE, THC Title: <u>RESEDENT</u>

AAPL - FORM 610RS - 1989

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	has prepared and circulated this form for execution, represents and warrant, cention(s) listed below, is identical to the AAPL Form 610RS-1989 Mode
	eement and Financing Statement, as published in computerized form-b
	-or-modifications, other than those made by strikethrough and/or insertion
	rticles have been made to the form
	be effective as of the 20th day of April
sur <u>2002</u> .	
ATTEST OR WITNESS:	OPERATOR
creation witheas.	OI ERATOR
	TMBR Sharp Drillling, Inc.
	Type or Print Name
	Title: Jeffery D. Phillips, President
	Date:
ATTEST OR WITNESS:	NON-OPERATORS
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	Harle, Inc.
	By Facid Sittaile
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	Title:
	Date:
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STATE OF TEXAS § COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 20th day of April. 2002 by Jeffrey D. Phillips. President of TMBR/Sharp Drilling. Inc., a Texas corporation, on behalf of said corporation.

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Commission Expires:

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this agreement shall be binding upon and shall inure to the f	nem, of the parties hereto and to	their respective heirs, devisee:
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This instrument may be executed in any number of counterparts, o	en of which shall be considered an	original for all purposes
IN WITNESS WHEREOF, this agreement shall be effective as or	day of	<u>April</u> (year) <u>2002</u>
who has prepared and ci		
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published in diskette form by Forms On-A-Disk, Inc. No changes, alter	ions, or modifications, other than th	ose in Articles
OPER.	TOR	
	TMBR/SHARP DRILLING,	INC.
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	By: Jeffrey D. Phillips	President
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STATE OF TEXAS \$
COUNTY OF MIDLAND \$

This instrument was acknowledged before me on the 20th day of April. 2002 by Jeffrey D. Phillips. President of TMBR/Sharp Drilling. Inc., a Texas corporation, on behalf of said corporation.

;

	Notary Public. State of
	Printed Name:
	Commission Expires:
STATE OF Creacin \$	
COUNTY OF Charantes	
	. .
	ged before me on the day of 2002 by
	, a
NEW MEXICO corporation	on behalf of said corporation.
	A MAG 12
UFFICIAL SEAL	Notary Public, State of Oisach
AMY M. MCREYNOLDS	Printed Name: Any M. McReypolds
NOTARY PUBLIC-OREGON	Commission Expires: 1115
COMMISSION NO 340390 MY COMMISSION FRIPER NOV 15, 2014	
STATE OF	š
	\$
This instrument was acknowledge	ged before me on theday of2002 by
of	, a
corporation.	on behalf of said corporation.
	Notary Public. State of
	Printed Name:
	Commission Expires:
STATE OF COUNTY OF	٠٠,
	ş
This instrument was acknowledge	ged before me on theday of2002 by
·	
	Notary Public, State of
	Printed Name:
	Commission Expires:
STATE OF	8
COUNTY OF	§ §
This instrument was acknowled	ged before me on theday of2002 by
	Notary Public, State of
	Printed Name:

Commission Expires:

		harp Drilling, I		AFE Number = 1	23-A
	AUTHORIZATION FOR EXPENDITURE			Well No.1.	
im 23		State New Mexico	County Parish Lea	Location: 1913' FNL & 924' FWL , Sec. 25. [168.	R 35E
ł			COST TO	COMPLETION	TOTAL
	INTANGIBLE DESC	RIPTION	CASING POINT	COST	WELL COST
1	Surveys · Permits / Bonds		1200		1,200
- 5	Roads Location/Damages	F	30000		30.000
	Mab demon	-	27000	e	27.000
	Drilling Contract-			· · · · · · · · · · · · · · · · · · ·	27.000
4	Daywork:50days At \$8520_day		400440	25.560	426.000
6	Footage			i	
-	Completion Unit: 15 days At S	2000 day		30.000	30.000
۰,	Mud Chemicals	Γ	35000		35,000
9	Water	Γ	18000	3 000	21.000
ο '	Cement/Cementing Services	F	20000	36.000	56,000
1	Fuel/Electricity/Generator/lights	F	28200	1.800	30,000
	Bits	r	65000		65,000
3	Reamers' stabilizers		15000		15,000
	Service Equipment	F	2000	5.000	7,000
15	Equipment rentals	ł	10000	35,000	45,000
2 0	Wire line Unit	ŀ	10000		40,000
	Mud Logging/Paleo/Bioassav	ŀ	18000		18,000
	Open Hole Logging	ŀ	25000	25,000	
		ł		23,000	50,000
	Drill Stem Testing and coring	-	20000	1.500	20.000
	Tubular Inspection/Testing	- F		1.500	4,500
21	Transportation (land)	Ļ		2.000	5.000
	Equipment inspection/testing	-	2500	2.000	4,500
23	Casing Crews/Tongs		4500	5,000	9.500
24	Drilling Overhead	ŀ	6500	1.500	8.000
25	Supervision		2750	5,500	8,250
26	Cased Hole Logging & Perf	Ļ	·	5.500	5,500
7	Stimulation	-	·····	100,000	100,000
28	Production Testing	-	······································	10,000	10.000
29	Completion Fluids	-		2.500	2,500
30	Fishing Tools. Supervisor	-	5000		5,000
31	Contract labor	1	2500		5.500
	Insurance	Ļ	8756	2,919	11,675
	Plug and Abandon	-	15000		15.000
34	Contingency (7%)		53784	21195	\$74,979
	L INTANGIBLE ESTIMATED (IBLE DESCRIPTION	.ost	\$822,130	\$323.974	\$1,146,104
5	IBLE DESCRIPTION	Conductor			
16	500' of 13 3/8" 54.5 @15.50/FT		7,750		7 750
37	5000 of 9 5/8" 40# @ 13.00/FT	Surface Casing Intermediate Csg	65.000		7,750
	1 5000 01 9 5/6 40# (@ 13.00/F1	~ F	65,000		65,000
38		Intermediate Csg			+
39	12 500' of 7" 26# @ ++ 50:57	Intermediate Csg		149.750	149 700
40 	12 500' of 7" 26# @ 11.50/FT	Production Csg		143,750	143,750
43	1500' of 4 1-2" 11.60# @ 5.75'ft.	Liner		8,625	8.625
17	13800' of 2 7/8" 6.50# @3.20/FT	Tubing		44,160	44,160
		Tubing			+
43	1	Tubing			
43 44			4,200	9,000	13,200
42 43 44 45	Wellhead Equipment	ļ			11,000
43 44 45 46	Float Equipment		4,000	7.000	
13 14 15 16	Float Equipment Liner Equipment		4,000	12,000	12.000
13 14 15 16 17	Float Equipment Liner Equipment Pumping Unit / Base / Engine		4,000		
13 14 15 16 17	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods		4.000	12,000	12.000
13 14 15 16 17 18	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat	· ·	4.000	12,000 60,000	60.000
43 44 45 46 47 48 49 50 51	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Conr	nections	4.000	12,000 60,000 8,000	12.000 60.000 8,000
43 44 45 46 47 48 49 50 51	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Conr Packers & Other Subsurface Too	nections	4.000	12,000 60,000	60.000
43 44 45 46 47 48 49 50 51 52 53	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Conr Packers & Other Subsurface Too Compressor	nections	4.000	12,000 60,000 8,000 6,500	12.000 60.000 8,000 6,500
43 44 45 46 47 48 49 50 51 52 53 54	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Conr Packers & Other Subsurface Too Compressor Miscelaneous Sale Items	nections		12,000 60,000 8,000 6,500 5,000	12.000 60.000 8.000 6.500 5.000
43 44 45 46 47 48 49 50 51 52 53 54 55	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Conr Packers & Other Subsurface Too Compressor Miscelaneous Sale Items Contingency (7%)	nectuons Dis	4.000	12,000 60,000 8,000 6,500	12.000 60.000 8.000 6.500 5.000 26.949
43 44 45 46 47 48 49 51 52 53 54 55 7A	Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Conr Packers & Other Subsurface Too Compressor Miscelaneous Sale Items	nectuons Dis		12,000 60,000 8,000 6,500 5,000	12.000 60.000 8.000 6.500 5.000

ticipant / ALCE Jue.

gnature Daced 1 Kenie

IN CONDUCTING THE OPERATION SPECIFIED. WHETHER MORE OR LESS THAN THE HEREIN SET OUT

I Wish to be covered by TMBR/Sharp's blow out insurance.

_____I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.

Date 14 11/1000 02