

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, completing, 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

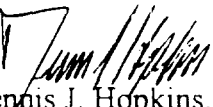
Robert J. Bullock, Sr., Trustee  
May 3, 2002  
Page Two

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 wish 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: \_\_\_\_\_

# TMBR/Sharp



Drilling, Inc.

Drawer 10970  
Midland, Texas 79702-7970  
315.689.5050

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,

A handwritten signature in dark ink, appearing to read "Dennis J. Hopkins".

Dennis J. Hopkins

Enclosure

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

CARTER 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,

  
CARTER CASTEEL

cc: Our File

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

7002 0460 0002 0073 5332

**NEW BRAUNFELS, TX 78130**


Postage	\$ 3.10	UNIT ID: 0708
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
<b>Total Postage &amp; Fees</b>	<b>\$ 6.70</b>	Postmark Here Clerk: KHGFOG 05/04/02

**Sent To** Robert J. Bullock, Sr.

Street, Apt. No.,  
or PO Box No. 245 South Seguin

City, State, ZIP+4 New Braunfels, TX 78139-5124

PS Form 3800, January 2001 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		<p>A. Signature  </p> <p>B. Received by (Printed Name)            Jennifer Gonzalez</p> <p>C. Date of Delivery            5-7-02</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes            If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>1. Article Addressed to:</p> <p><b>ROBERT J. BULLOCK, SR.</b>  <b>c/o CARTER CASTELL</b>  <b>245 SOUTH SEGUIN</b>  <b>NEW BRAUNFELS, TX 78139-5124</b></p>		<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>2. Article Number            (Transfer from service label)</p>		<p>7002 0460 0002 0073 5332</p>	

## 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 (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:**

TMBR/Sharp Drilling, Inc.	99.10716%
Robert J. Bullock, Sr., Trustee	0.89284%
<b>Total:</b>	<b>100.00000%</b>

**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:

1 8. Oil or provisions

2  
3  
4  
5  
6 \_\_\_\_\_ who has prepared and circulated this form of execution, represents and warrants  
7 that the form was printed from and, with the exception noted below, is identical to the AAPL Form 610RS-1989 Model  
8 Form Recording Supplement to Operating Agreement and Financing Statement published in computerized form on  
9 CD-ROM (CD-A Disk). The only changes, variations, or modifications, other than those made by strike-through and/or insertion  
10 and that are clearly recognizable as changes in Articles \_\_\_\_\_ have been made to the form.

11  
12  
13 IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April  
14 of 2002.

15  
16 ATTEST OR WITNESS:

OPERATOR

17  
18  
19 \_\_\_\_\_  
20 IMBR Sharp Drilling, Inc.

21 By \_\_\_\_\_

Type or Print Name

22 Title Jeffery D. Phillips, President

23 Date \_\_\_\_\_

24 Address P O Box 10970, Midland, Texas 79702-7970

25  
26  
27 ATTEST OR WITNESS:

NON-OPERATORS

28  
29  
30  
31  
32  
33 By \_\_\_\_\_

Type or Print Name

34 Title Robert J. Bullock, Sr., Trustee

35 Date \_\_\_\_\_

36 Address \_\_\_\_\_

37  
38  
39 ATTEST OR WITNESS:

40  
41  
42  
43  
44  
45 By \_\_\_\_\_

Type or Print Name

46 Title \_\_\_\_\_

47 Date \_\_\_\_\_

48 Address \_\_\_\_\_

49  
50 ATTEST OR WITNESS:

51  
52  
53  
54  
55 By \_\_\_\_\_

Type or Print Name

56 Title \_\_\_\_\_

57 Date \_\_\_\_\_

58 Address \_\_\_\_\_

59  
60 ATTEST OR WITNESS:

61  
62  
63  
64  
65 By \_\_\_\_\_

Type or Print Name

66 Title \_\_\_\_\_

67 Date \_\_\_\_\_

68 Address \_\_\_\_\_

## 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%
<b>Total:</b>	<u>100.00000%</u>

### 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



ARTICLE XVI  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto, and to their respective heirs, devisees, children, representatives, successors and assigns.

This instrument may be executed in any number 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.

~~who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement, as published in booklet form by Form On A Disc, Inc. No changes, alterations, or modifications other than those in Articles~~  
~~have been made to the form.~~

OPERATOR

FMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

By: Robert J. Bullock, Sr., Trustee  
Printed Name: Robert J. Bullock, Sr., Trustee  
Printed Title:

By: Printed Name:  
Printed Title:

By: Printed Name:  
Printed Title:

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

7002 0460 0002 0073 5325

OKLAHOMA CITY, OK 73154

Postage	\$ 3.50	UNIT ID: 0708
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	Postmark Here
Restricted Delivery Fee (Endorsement Required)		Clerk: KHGFG
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

PS Form 3800, January 2001

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

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

1. Article Addressed to:

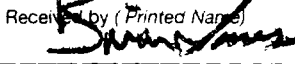
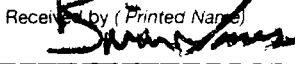
**CHESAPEAKE ENERGY CORP.**  
**P. O. BOX 18496**  
**OKLAHOMA CITY, OK 73154-0496**

2. Article Number  
 (Transfer from service label)

7002 0460 0002 0073 5325

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature **BRIAN IMES**  
☒ X  ☐ Agent  
☐ Addressee

B. Received by (Printed Name)  C. Date of Delivery  \* d.

D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

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

4. Restricted Delivery? (Extra Fee) ☐ Yes

# Chesapeake

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**



Sara L. Caldwell  
Land Tech

Enclosure

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

**Chesapeake Energy Corporation**

6100 N. Western Ave. • Oklahoma City, OK 73118 • P.O. Box 18496 • Oklahoma City, OK 73154-0496  
405.848.8000 • fax 405.879.9535

**TMBR/ Sharp Drilling, INC.**  
**AUTHORIZATION FOR EXPENDITURE**

AFE Number \_\_\_\_\_ Date \_\_\_\_\_ 23-Apr-02

Name \_\_\_\_\_ State \_\_\_\_\_ County Parish \_\_\_\_\_ Well No. \_\_\_\_\_  
 Location \_\_\_\_\_  
 Location \_\_\_\_\_

Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST
1	Surveys Permits Bonds	1200		1,200
2	Roads Location Damages	30000		30,000
3	Mobile	27300		27,000
4	Drilling Contract			
5	Drilling Services At \$45.00 / day	400440	25,560	426,000
6	Footage			
7	Completion Unit 15 days At \$2000 / day		30,000	30,000
8	Mud Chemicals	35000		35,000
9	Water	18000	3,000	21,000
10	Cement-Cementing Services	20000	36,000	56,000
11	Fuel-Electricity-Generator-lights	28200	1,800	30,000
12	Bits	65000		65,000
13	Reamers stabilizers	15000		15,000
14	Service Equipment	2000	5,000	7,000
15	Equipment rentals	10000	35,000	45,000
16	Wire line Unit			
17	Mud Logging/Paleo Bioassay	18000		18,000
18	Open Hole Logging	25000	25,000	50,000
19	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
24	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		10,000	10,000
29	Completion Fluids		2,500	2,500
30	Fishing Tools, Supervisor	5000		5,000
31	Contract labor	2500	3,000	5,500
32	Insurance	8756	2,919	11,675
33	Plug and Abandon	15000		15,000
34	Contingency (7%)	53784	21195	\$74,979
<b>TOTAL INTANGIBLE ESTIMATED COST</b>		<b>\$822,130</b>	<b>\$323,974</b>	<b>\$1,146,104</b>

Code	TANGIBLE DESCRIPTION			
35	Conductor			
36	500' of 13 3/8" 54.5 @ 15.50/FT	Surface Casing	7,750	7,750
37	5000' of 9 5/8" 40# @ 13.00/FT	Intermediate Csg	65,000	65,000
38		Intermediate Csg		
39		Intermediate Csg		
40	12,500' of 7" 26# @ 11.50/FT	Production Csg	143,750	143,750
41	1500' of 4 1/2" 11.60# @ 5.75 ft	Liner	8,625	8,625
42	13800' of 2 7/8" 6.50# @ 3.20/FT	Tubing	44,160	44,160
43		Tubing		
44		Tubing		
45	Wellhead Equipment	4,200	9,000	13,200
46	Float Equipment	4,000	7,000	11,000
47	Liner Equipment		12,000	12,000
48	Pumping Unit / Base / Engine			
49	Sucker rods, Polished Rods			
50	Producing Equipment, Tank Battery, Flowline		60,000	60,000
51	Flowlines, Valves, Fittings/Connections		8,000	8,000
52	Packers & Other Subsurface Tools		6,500	6,500
53	Compressor			
54	Miscellaneous Sale Items		5,000	5,000
55	Contingency (7%)	5,667	21,282	26,949
<b>TOTAL TANGIBLE ESTIMATED COST</b>		<b>\$86,617</b>	<b>\$325,317</b>	<b>\$411,934</b>
<b>TOTAL AFE ESTIMATED COST</b>		<b>\$908,747</b>	<b>\$649,291</b>	<b>\$1,558,038</b>

**APPROVAL AND ACCEPTANCE**

Participant Chesapeake Operating, Inc.

W.I. 0.7031%

Title Aubrey K. McClendon, CEO

Signature \_\_\_\_\_

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED 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 May 15, 2002

# TMBR/Sharp

**Drilling, Inc.**

Box 10070  
Midland, Texas 79700-7970  
15 649-6060

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, completing, 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 N2 spacing unit for the Well. As an alternative, should you wish 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 15th DAY OF May, 2002.  
for participation in the Well for the 0.7031% ownership vested in Chesapeake ~~Energy Corp.~~  
Operating, Inc.

By: 

Name: Aubrey K. McClendon

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:	<u>Township 16 South, Range 35 East, N.M.P.M.</u> Section 25: W/2 NE/4

## ARTICLE VIII

continued

1 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be  
2 governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions  
3 it 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 erational rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

5 If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such  
6 consideration shall not be deemed a contribution as contemplated in this Article VIII C.

D. ~~Maintenance of Uniform Interest:~~

7 For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no  
8 party shall sell, encumber, transfer or make other disposition of its interest in the leases, interests within the Contract Area and in wells,  
9 equipment and production unless such disposition covers either:  
10

- 11 1. the entire interest of the party in all leases and equipment and production, or
- 12 2. an equal undivided interest in all leases and equipment and production in the Contract Area.

13 Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement  
14 and shall be made without prejudice to the right of the other parties.

15 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may,  
16 require such co-owners to appoint a single trustee or agent with full authority to receive monies, approve expenditures, receive billings, for  
17 and approve and pay such party's share of the joint expenses, and to deal generally with and with power to bind the co-owners of such  
18 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter  
19 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract  
20 Area and they shall have the right to receive separately payment of the sale proceeds therefrom.

## E. Waiver of Rights to Partition:

21 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an  
22 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided  
23 interest therein.

F. ~~Preferential Right to Purchase:~~

24 Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract  
25 Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the  
26 name and address of the prospective purchaser who must be ready, willing and able to purchase, the purchase price, and all other terms  
27 of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase  
28 on the same terms and conditions the interest which the other party proposes to sell, and if this optional right is exercised, the purchas-  
29 ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par-  
30 ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to  
31 dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary, or parent com-  
32 pany or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.  
INTERNAL REVENUE CODE ELECTION

33 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association  
34 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several  
35 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax  
36 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded  
37 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986, as per-  
38 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-  
39 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  
40 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,  
41 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further  
42 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the  
43 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other  
44 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract  
45 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,  
46 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-  
47 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-  
48 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the  
49 computation of partnership taxable income.



ARTICLE XVI  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number 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.

who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception noted below is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as published in booklet form by Forms On A Disk, Inc. No changes, alterations or modifications other than those in Articles have been made to the form.

OPERATOR

TMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

Printed Name:  
Printed Title:

By: Printed Name:  
Printed Title:

MYCO INDUSTRIES, INC.

ABO PETROLEUM CORP

Printed Name:  
Printed Title:

By: Printed Name:  
Printed Title:

~~CHESAPEAKE ENERGY CORP.~~  
Chesapeake Exploration Limited Partnership

Printed Name: Henry J. Hood  
Printed Title: Senior Vice President-Land and Legal of Chesapeake Operating, Inc., General Partner of Chesapeake Exploration Limited Partnership

By: Printed Name:  
Printed Title:

STATE OF TEXAS           §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on the 20<sup>th</sup> 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 \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

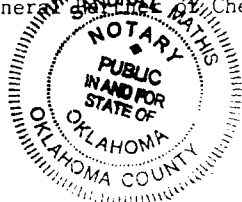
STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA           §  
COUNTY OF OKLAHOMA   §

This instrument was acknowledged before me on the 21<sup>st</sup> day of May, 2002 by Henry J. Hoot, Senior Vice President - Land and Legal of Chesapeake Operating, Inc., General Manager of Chesapeake Exploration Limited Partnership.



Notary Public, State of Oklahoma  
Printed Name: Sandra L. Mathis  
Commission Expires: May 5, 2006  
Commission Number: 02007791

2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74

Exploration Limited  
~~Chesapeake Energy Corp.~~ Partnership

By: \_\_\_\_\_  
Type or Print Name  
Title: Henry J. Hood, Senior Vice President -  
Date: Land and Legal of Chesapeake Operating,  
Address: Inc., General Partner of Chesapeake  
Exploration Limited Partnership  
Date: May 21, 2002  
Address: P.O. Box 18496  
Oklahoma City, OK 73154-0496

STATE OF TEXAS           :  
COUNTY OF MIDLAND       :

This instrument was acknowledged before me on the 20<sup>th</sup> 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 \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

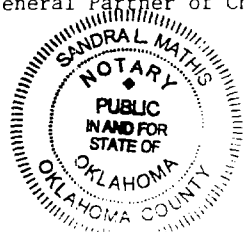
STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA           §  
COUNTY OF OKLAHOMA       §

This instrument was acknowledged before me on the 21<sup>st</sup> day of May, 2002 by Henry J. Hood, Senior Vice President - Land and Legal of Chesapeake Operating, Inc., General Partner of Chesapeake Exploration Limited Partnership.



Notary Public, State of Oklahoma  
Printed Name: Sandra L. Mathis  
Commission Expires: May 5, 2006  
Commission Number: 02007791


EXHIBIT "D"

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

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:

- |    |   |  |
|----|---|--|
| A. | Workers Compensation<br>Employer's Liability  | Statutory<br>\$100,000 each accident                 |
| B. | Comprehensive General Liability<br>including:<br>(a) property damage and bodily<br>injury liability including,<br>but not limited to, losses<br>resulting from explosion,<br>collapse, underground damage;<br>and<br>(b) contractual liability assumed<br>under this Agreement. | \$1,000,000<br>Combined single limit                 |
| C. | Comprehensive Automobile Liability<br>covering owned, non-owned and hired<br>vehicles.  | \$1,000,000<br>Combined single limit                 |
| D. | Umbrella Liability<br>in excess of A (except Worker's<br>Compensation), B and C above   | \$20,000,000<br>Combined single unit                 |
| E. | Cost of Well Control and Operator's<br>Extra Expense, including Care,<br>Custody, and Control Coverage  | \$5,000,000 OEE and<br>Well Control<br>\$250,000 CCC |

2. The insurance described in 1. above 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 its own 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 the insurer of all right of subrogation in favor of the other parties.

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

7002 0460 0002 0073 5288

ARTESIA, NM 88210

Postage	\$ 3.50	UNIT ID: 0708
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	Postmark Here
Restricted Delivery Fee (Endorsement Required)		Clerk: KHGFOG
Total Postage & Fees	\$ 7.10	05/04/02

**Sent To**

Yates Petroleum Corp et al  
 Street, Apt. No.,  
 or PO Box No. 105 South 4th Street  
 City, State, ZIP+4  
 Artesia, NM 88210

PS Form 3800, January 2001

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

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

1. Article Addressed to:

**YATES PETROLEUM CORP ETAL**  
**105 SOUTH 4<sup>TH</sup> STREET**  
**ARTESIA, NM 88210**

2. Article Number

(Transfer from service label)

7002 0460 0002 0073 5288

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name) MAY 18 2002

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered ☐ Return Receipt for Merchandise

☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes



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**

A handwritten signature in cursive script that reads 'Robert Bullock'.

Robert Bullock  
Landman

RB:bn  
enclosure(s)

# TMBR/Sharp



Drawer 10970  
Midland, Texas 79702-7870  
409-699-5050

May 3, 2002

## **CERTIFIED MAIL/RRR**

Yates Petroleum Corporation (70%)  
Yates Drilling Company (10%)  
MYCO Industries, Inc. (10%)  
Abo Petroleum Corp. (10%)  
105 South 4<sup>th</sup> 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, completing, 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 wish 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, 2001  
Recorded: Book 1115, Page 603  
Lessor: Larry Hunnicutt, Custodian  
Lessee: Yates Petroleum Corporation et al  
Legal Description: Township 16 South, Range 35 East, N.M.P.M.  
Section 25: E/2 NE/4

**TMBR/ Sharp Drilling, INC.**  
**AUTHORIZATION FOR EXPENDITURE**

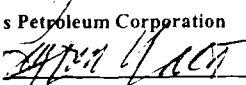

AFE Number # 1 23-Apr-02

se Name State County/Parish Location:  
e fin 25 New Mexico Lea 1913 ENL & 924 FWL Sec 25, T16S, R 35E

Acct Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST
1	Surveys Permits / Bonds	1200		1,200
2	Roads Location/Damages	30000		30,000
3	Mob demob	27000		27,000
4	Drilling Contract-			
5	Daywork 50days At \$8,520 /day	400440	25,560	426,000
6	Footage			
7	Completion Unit: 15 days At \$ 2000 /day		30,000	30,000
8	Mud Chemicals	35000		35,000
9	Water	18000	3,000	21,000
10	Cement Cementing Services	20000	36,000	56,000
11	Fuel/Electricity/Generator/light	28200	1,800	30,000
12	Bits	65000		65,000
13	Reamers, stabilizers	15000		15,000
14	Service Equipment	2000	5,000	7,000
15	Equipment rentals	10000	35,000	45,000
16	Wire line Unit			
17	Mud Logging/Paleo/Bioassay	18000		18,000
18	Open Hole Logging	25000	25,000	50,000
19	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
24	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		10,000	10,000
29	Completion Fluids		2,500	2,500
30	Fishing Tools, Supervisor	5000		5,000
31	Contract labor	2500	3,000	5,500
32	Insurance	8756	2,919	11,675
33	Plug and Abandon	15000		15,000
34	Contingency (7%)	53784	21195	\$74,979
<b>TOTAL INTANGIBLE ESTIMATED COST</b>		<b>\$822,130</b>	<b>\$323,974</b>	<b>\$1,146,104</b>
<b>INTANGIBLE DESCRIPTION</b>				
35	Conductor			
36	500' of 13 3/8" 54.5 @ 15.50/FT Surface Casing	7,750		7,750
37	5000' of 9 5/8" 40# @ 13.00/FT Intermediate Csg	65,000		65,000
38	Intermediate Csg			
39	Intermediate Csg			
40	12,500' of 7" 26# @ 11.50/FT Production Csg		143,750	143,750
41	1500' of 4 1/2" 11.60# @ 5.75 ft Liner		8,625	8,625
42	13800' of 2 7/8" 6.50# @ 3.20/FT Tubing		44,160	44,160
43	Tubing			
44	Tubing			
45	Wellhead Equipment	4,200	9,000	13,200
46	Float Equipment	4,000	7,000	11,000
47	Liner Equipment		12,000	12,000
48	Pumping Unit / Base / Engine			
49	Sucker rods, Polished Rods			
50	Producing Equipment, Tank Battery, Flowline		60,000	60,000
51	Flowlines, Vavles, Fittings/Connections		8,000	8,000
52	Packers & Other Subsurface Tools		6,500	6,500
53	Compressor			
54	Miscellaneous Sale Items		5,000	5,000
55	Contingency (7%)	5,667	21,282	26,949
<b>TOTAL TANGIBLE ESTIMATED COST</b>		<b>\$86,617</b>	<b>\$325,317</b>	<b>\$411,934</b>
<b>TOTAL AFE ESTIMATED COST</b>		<b>\$908,747</b>	<b>\$649,291</b>	<b>\$1,558,038</b>

**PROVAL AND ACCEPTANCE**

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL

s Petroleum Corporation  Date: 6-30-02	0.054687% Abo Petroleum Corporation 0.007813%	s Drilling Company  Date: 6-30-02	Myco Industries, Inc. 0.007813%
---	---	--	------------------------------------

## 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.	98.51562%
Chesapeake Energy Corp.	0.70312%
Yates Petroleum Corporation	0.54687%
Yates Drilling Company	0.07813%
MYCO Industries, Inc.	0.07813%
Abo Petroleum Corp.	0.07813%
<b>Total:</b>	<b>100.00000%</b>

### **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 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2122

STATE OF TEXAS       §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on the 20<sup>th</sup> 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 20<sup>th</sup> day of June, 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:  
1-8-2004

Barbara Nelson  
\_\_\_\_\_  
Notary Public, State of New Mexico  
Barbara Nelson

8. Other provisions

who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exceptions listed below, is identical to the AAPL Form 610RS 1989 Model Form Recording Supplement to Operating Agreement and Financing Statement as published in computerized form by Form On A Disk, Inc. No changes, alteration, or modifications other than those made by strike-through and/or insertion and that are clearly recognizable as changes in Articles have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April, 2002.

ATTEST OR WITNESS:

OPERATOR

TMBR Sharp Drilling, Inc.

By

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

By

Type or Print Name

Title:

Date:

Address:

ATTEST OR WITNESS:

Yates Drilling Company

By

Type or Print Name

Title:

Date:

Address:

ATTEST OR WITNESS:

MYCO Industries, Inc.

By

Type or Print Name

Title:

Date:

Address:

ATTEST OR WITNESS:

Abo Petroleum Corp.

By

Type or Print Name

Title:

Date:

Address:

ARTICLE XVI.  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number 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.

who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception listed below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as published in diskette form by Forms On A Disk, Inc. No changes, alterations, or modifications other than those in Article \_\_\_\_\_ have been made to the form.

OPERATOR

TMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

By: [Signature]  
Printed Name: [Name]  
Printed Title: [Title]

By: [Signature]  
Printed Name: [Name]  
Printed Title: [Title]

MYCO INDUSTRIES, INC.

ABO PETROLEUM CORP

By: [Signature]  
Printed Name: [Name]  
Printed Title: [Title]

By: [Signature]  
Printed Name: [Name]  
Printed Title: [Title]

CHESAPEAKE ENERGY CORP.

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

STATE OF TEXAS       §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on the 20<sup>th</sup> 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 20<sup>th</sup> day of June, 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:  
1-8-2004

Barbara Nelson  
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:**

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

### **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 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2122

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

ROSWELL, NM 88202

Postage	\$ 3.10
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 6.70</b>

UNIT ID: 0708

Postmark  
Here

Clerk: KHGFOG

05/04/02

**Sent To**

Branex Resources, Inc.

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

P. O. Box 2328

City, State, ZIP+4

Roswell, NM 88202-2328

PS Form 3800, January 2001

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

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

1. Article Addressed to:

**BRANEX RESOURCES, INC.**  
**P. O. BOX 2328**  
**ROSWELL, NM 88202-2328**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

5-4-02

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7002 0460 0002 0073 5349



BRANEX RESOURCES, INC.  
POST OFFICE BOX 1329  
ROSWELL, NEW MEXICO 88202-0029  
505/627-4512 • FAX (505) 627-4553

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,

  
F. Andrew Grooms, President  
Branex Resources, Inc.

cc. Jim Bruce

# TMBR/Sharp



Office: 1970  
Harris, Texas 77002-7970  
15499-5580

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

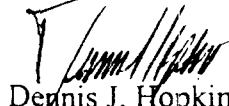
Branex Resources, Inc.  
May 3, 2002  
Page Two

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 wish 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.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

7002 0460 0002 0073 5318

DALLAS, TX 75219		UNIT ID: 0708
Postage	\$ 3.10	Postmark Here Clerk: KHGF0G 05/04/02
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 6.70	
Sent To: Robert M. Edsel		
Street, Apt. No., or PO Box No. 3111 Welborn, No. 1604		
City, State, ZIP+4 Dallas, TX 75219-5023		

PS Form 3800, January 2001. See Reverse for Instructions.

**SENDER: COMPLETE THIS SECTION**

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

1. Article Addressed to:

**ROBERT M. EDSSEL  
 3111 WELBORN, NO. 1604  
 DALLAS, TX 75219-5023**

2. Article Number  
 (Transfer from service label)

7002 0460 0002 0073 5318

**COMPLETE THIS SECTION ON DELIVERY**

- A. Signature ☐ Agent  
☒ Addressee
- B. Received by (Printed Name) C. Date of Delivery
- D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type
- ☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

# TMBR/Sharp



Phone: 214-770-7370  
Fax: 214-770-7370  
Email: info@tmbdrilling.com

May 3, 2002

## CERTIFIED MAIL/RRR

Robert M. Edsel  
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, completing, 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 wish 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 and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number 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.

~~who has prepared and circulated this form for execution represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as 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 form.~~

OPERATOR

TMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

BRANEX RESOURCES, INC.

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

## 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 (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:**

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

**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:

1 8. Other provisions  
2  
3  
4  
5

6 \_\_\_\_\_, who has prepared and circulated this form for execution, represents and warrants  
7 that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610RS-1989 Model  
8 Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by  
9 Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion  
10 and that are clearly recognizable as changes in Articles \_\_\_\_\_, have been made to the form.  
11

12  
13 IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of \_\_\_\_\_ April  
14 year 2002.  
15

16 ATTEST OR WITNESS:

OPERATOR

17 \_\_\_\_\_  
18  
19 TMBR Sharp Drilling, Inc.  
20  
21 By \_\_\_\_\_  
22 Type or Print Name  
23 Title Jeffery D. Phillips, President  
24 Date: \_\_\_\_\_  
25 Address: P O Box 10970, Midland, Texas 79702-7970  
26

27  
28 ATTEST OR WITNESS:

NON-OPERATORS

29 \_\_\_\_\_  
30  
31 Branex Resources, Inc.  
32  
33 By: \_\_\_\_\_  
34 Type or Print Name  
35 Title: \_\_\_\_\_  
36 Date: \_\_\_\_\_  
37 Address: \_\_\_\_\_  
38

39  
40 ATTEST OR WITNESS:

41 \_\_\_\_\_  
42  
43  
44 By: \_\_\_\_\_  
45 Type or Print Name  
46 Title: \_\_\_\_\_  
47 Date: \_\_\_\_\_  
48 Address: \_\_\_\_\_  
49  
50

51 ATTEST OR WITNESS:

52 \_\_\_\_\_  
53  
54  
55 By: \_\_\_\_\_  
56 Type or Print Name  
57 Title: \_\_\_\_\_  
58 Date: \_\_\_\_\_  
59 Address: \_\_\_\_\_  
60

61  
62 ATTEST OR WITNESS:

63 \_\_\_\_\_  
64  
65  
66 By: \_\_\_\_\_  
67 Type or Print Name  
68 Title: \_\_\_\_\_  
69 Date: \_\_\_\_\_  
70 Address: \_\_\_\_\_  
71  
72  
73  
74

## 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.	99.29688%
Branex Resources, Inc.	0.70312%
<b>Total:</b>	<b>100.00000%</b>

### **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  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number 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.

~~\_\_\_\_\_ who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement, as 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 form.~~

OPERATOR

TMBR/SHARP DRILLING, INC.

By: \_\_\_\_\_  
Jeffrey D. Phillips, President

NON-OPERATORS

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: Robert M. Edsel  
Printed Title: \_\_\_\_\_

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Printed Title: \_\_\_\_\_

## 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 (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:**

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

**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:

8 Other provisions

\_\_\_\_\_, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610RS-1989 Model Form Recording Supplement to Operating Agreement and Financing Statement as published in computerized form by Forms On A Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles \_\_\_\_\_, have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of April,  
 year 2002

ATTEST OR WITNESS:

OPERATOR

TMBR Sharp Drilling, Inc.

By \_\_\_\_\_

Type or Print Name

Title Jeffery D. Phillips, President

Date \_\_\_\_\_

Address P O Box 10970, Midland, Texas 79702-7970

ATTEST OR WITNESS:

NON-OPERATORS

By \_\_\_\_\_

Type or Print Name

Title Robert M. Edsel

Date \_\_\_\_\_

Address \_\_\_\_\_

ATTEST OR WITNESS:

By \_\_\_\_\_

Type or Print Name

Title \_\_\_\_\_

Date \_\_\_\_\_

Address \_\_\_\_\_

ATTEST OR WITNESS:

By \_\_\_\_\_

Type or Print Name

Title \_\_\_\_\_

Date \_\_\_\_\_

Address \_\_\_\_\_

ATTEST OR WITNESS:

By \_\_\_\_\_

Type or Print Name

Title \_\_\_\_\_

Date \_\_\_\_\_

Address \_\_\_\_\_

## **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.	99.84375%
Robert M. Edsel	0.15625%
<b>Total:</b>	<b><u>100.00000%</u></b>

### **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



<b>U.S. Postal Service</b> <b>CERTIFIED MAIL RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)		
ROSWELL, NM 88202		
Postage	\$ 3.10	UNIT ID: 0708  Postmark Here Clerk: KHGF06 05/04/02
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 6.70	
Sent To Harle, Inc. Street, Apt. No., or PO Box No. P. O. Box 2608 City, State, ZIP+4 Roswell, NM 88202-2608		
PS Form 3800, January 2001 See Reverse for Instructions.		

<b>SENDER: COMPLETE THIS SECTION</b>  ■ 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:  <b>HARLE, INC.</b> <b>P. O. BOX 2608</b> <b>ROSWELL, NM 88202-2608</b>  2. Article Number (Transfer from service label) <b>7002 0460 0002 0073 5301</b>	<b>COMPLETE THIS SECTION ON DELIVERY</b>  A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee <i>[Signature]</i> B. Received by (Printed Name), C. Date of Delivery  D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No  3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> 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, completing, 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 wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

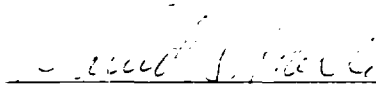
If there are any questions, comments or additional information needed, please contact Lonnie Arnold or the undersigned. Thank you for your consideration of our proposal.

Yours truly,

**TMBR/SHARP DRILLING, INC.**

  
Dennis J. Hopkins, CPL  
Land Manager

**AGREED AND ACCEPTED THIS 10 DAY OF May, 2002,  
for participation in the Well for the 0.0281% ownership vested in Harle, Inc.**

By:   
Name: Lonnie Arnold, Harle, Inc  
Title: RESIDENT

8 Other provisions

who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception noted below, is identical to the AAPL Form 610RS 1989 Model Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by Forms On A Disk, Inc. No changes, alteration, or modifications, other than those made by strike-through and/or insertion and that are clearly recognizable as changes in Articles \_\_\_\_\_ have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the 20th day of Aprilor 2002

ATTEST OR WITNESS:

OPERATOR

TMBR Sharp Drilling, Inc.

By \_\_\_\_\_

Type or Print Name

Title Jeffery D. Phillips, President

Date: \_\_\_\_\_

Address P O Box 10970, Midland, Texas 79702-7970

ATTEST OR WITNESS:

NON-OPERATORS

Harle, Inc.

By \_\_\_\_\_

Type or Print Name

Title: David S. HarleDate: 14 May 02Address: 22130 E. Taylor Dr  
Tulsa, OK 74116

ATTEST OR WITNESS:

By: \_\_\_\_\_

Type or Print Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

ATTEST OR WITNESS:

By: \_\_\_\_\_

Type or Print Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

ATTEST OR WITNESS:

By: \_\_\_\_\_

Type or Print Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

STATE OF TEXAS           §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on the 20<sup>th</sup> 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 Oregon §  
COUNTY OF Columbia §

This instrument was acknowledged before me on the 4<sup>th</sup> day of May, 2002 by Robert S. Davis of Hess Inc, a New Mexico corporation, on behalf of said corporation.



Amy M. McReynolds  
Notary Public, State of Oregon  
Printed Name: Amy M. McReynolds  
Commission Expires: 11/15/2004

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

ARTICLE XVI  
MISCELLANEOUS

his agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

his instrument may be executed in any number 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

~~who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception noted below, is identical to the A.A.P.L. Form 610-1982 Model Form Operating Agreement as 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 form.~~

OPERATOR

TMBR/SHARP DRILLING, INC.

By: \_\_\_\_\_  
Jeffrey D. Phillips, President

NON-OPERATORS

HARLE, INC.

By: David S. Harle  
Printed Name: David S. Harle  
Printed Title: President

Printed Name:  
Printed Title:

By: \_\_\_\_\_  
Printed Name:  
Printed Title:

Printed Name:  
Printed Title:

By: \_\_\_\_\_  
Printed Name:  
Printed Title:

Printed Name:  
Printed Title:

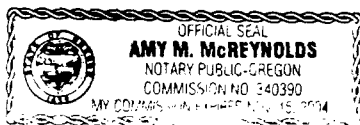
STATE OF TEXAS           §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on the 20<sup>th</sup> 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 Oregon       §  
COUNTY OF Clatsop   §

This instrument was acknowledged before me on the 14<sup>th</sup> day of May, 2002 by David S. Hark of Hark Inc, a New Mexico corporation, on behalf of said corporation.



Amy M. McReynolds  
Notary Public, State of Oregon  
Printed Name: Amy M. McReynolds  
Commission Expires: 11/15/2004

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_

Notary Public, State of \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Commission Expires: \_\_\_\_\_

TMBR/ Sharp Drilling, INC.			AFE Number = 1		23-Apr-02	
AUTHORIZATION FOR EXPENDITURE			Well No. 1.			
Name		State	Country/Parish	Location:		
m 25		New Mexico	1ca	1913' FNL & 924' FWL, Sec. 35, T16S, R 35E		
Line	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST		
1	Surveys / Permits / Bonds	1200		1,200		
2	Roads Location Damages	30000		30,000		
3	Mob demo	27000		27,000		
4	Drilling Contract-					
5	Daywork: 50 days At \$8520 / day	400440	25,560	426,000		
6	Footage					
7	Completion Unit: 15 days At \$ 2000 / day		30,000	30,000		
8	Mud Chemicals	35000		35,000		
9	Water	18000	3,000	21,000		
10	Cement/Cementing Services	20000	36,000	56,000		
11	Fuel/Electricity/Generator/lights	28200	1,800	30,000		
12	Bits	65000		65,000		
13	Reamers/ stabilizers	15000		15,000		
14	Service Equipment	2000	5,000	7,000		
15	Equipment rentals	10000	35,000	45,000		
16	Wire line Unit					
17	Mud Logging/ Paleo/Bioassay	18000		18,000		
18	Open Hole Logging	25000	25,000	50,000		
19	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		
24	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		10,000	10,000		
29	Completion Fluids		2,500	2,500		
30	Fishing Tools/ Supervisor	5000		5,000		
31	Contract labor	2500	3,000	5,500		
32	Insurance	8756	2,919	11,675		
33	Plug and Abandon	15000		15,000		
34	Contingency (7%)	53784	21195	\$74,979		
TAL INTANGIBLE ESTIMATED COST		\$822,130	\$323,974	\$1,146,104		
Line	INTANGIBLE DESCRIPTION					
35	Conductor					
36	500' of 13 3/8" 54.5 @ 15.50/FT	Surface Casing	7,750	7,750		
37	5000' of 9 5/8" 40# @ 13.00/FT	Intermediate Csg	65,000	65,000		
38		Intermediate Csg				
39		Intermediate Csg				
40	12,500' of 7" 26# @ 11.50/FT	Production Csg		143,750	143,750	
41	1500' of 4 1/2" 11.60# @ 5.75/ft	Liner		8,625	8,625	
42	13800' of 2 7/8" 6.50# @ 3.20/FT	Tubing		44,160	44,160	
43		Tubing				
44		Tubing				
45	Wellhead Equipment		4,200	9,000	13,200	
46	Float Equipment		4,000	7,000	11,000	
47	Liner Equipment			12,000	12,000	
48	Pumping Unit / Base / Engine					
49	Sucker rods, Polished Rods					
50	Producing Equipment, Tank Battery, Flowline			60,000	60,000	
51	Flowlines, Vavles, Fittings/Connections			8,000	8,000	
52	Packers & Other Subsurface Tools			6,500	6,500	
53	Compressor					
54	Miscellaneous Sale Items			5,000	5,000	
55	Contingency (7%)		5,667	21,282	26,949	
TAL TANGIBLE ESTIMATED COST		\$86,617	\$325,317	\$411,934		
TAL AFE ESTIMATED COST		\$908,747	\$649,291	\$1,558,038		
PROVAL AND ACCEPTANCE						
Participant <u>TABLE Inc</u>		IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT.				
I. <u>007817</u>		<input checked="" type="checkbox"/> I Wish to be covered by TMBR/Sharp's blow out insurance.				
le <u>President</u>		<input type="checkbox"/> I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.				
Signature <u>David J. Hall</u>		Date <u>14 May 02</u>				