

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 for participation in the Well for the $0.8^{\circ}$ Sr., Trustee. |             |  |
| By:  | _           |  |
| Name:  |             |  |
| Title:   | <del></del> |  |
|  |             |  |

Drawer 10970 Midland, Texas 79702-7970 915-699 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,

Dennis J. Hopkins

Enclosure

mas 07/01/02

### 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

RTER 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

cm6:Bullock.itr.wpd

|          | U.S. Postal Servi<br>CERTIFIED M<br>(Domestic Mail | ALLRE  |        | ce Coverage Provided)                      |
|----------|--|--------|--------|--|
| 32       |  |        |        |  |
| 53       | NEW BRAUNFE  | LS, TX | 78130  |  |
| E.       | Postage  | \$     | 3.10   | UNIT ID: 0708                              |
| 007      | Certified Fee                                      |        | 2.10   |  |
| 200      | Return Receipt Fee<br>(Endorsement Required)       |        | 1.50   | Postmark Here                              |
|          | Restricted Delivery Fee (Endorsement Required)     |        |        | Clerk: KHGF0G                              |
| <u>.</u> |  | \$     | 6.70   | 05/04/02                                   |
| 7        | Sent To<br>Robe                                    | ert J. | Bullo  | ock, Sr.                                   |
| 밉        | Street. Apt. No.:<br>or PO Box No. 245             | South  | Segu   | in   |
| 2        | City, State, ZIP+ 4<br>New<br>PS Form 3900, Januar |        | ífels, | TX 78139-5124 See Reverse for Instructions |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |
|--|--|
| <ul> <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> | B. Received by Parks Name C. Date of Delivery  D. Is delivery address different from Item 1? Yes |
| 1 Article Addressed to:  | If YES, enter delivery address below:  |
| ROBERT J. BULLOCK, SR.<br>c/o CARTER CASTELL<br>245 SOUTH SEGUIN   |  |
| NEW BRAUNFELS, TX 78139-5124   | 3. Service Type<br>  ☑ 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 5332   |
|  |  |

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%

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:

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|   | ithm of the differential thing that the content and of the content and of the  |
| <del>old that are creatly recognizable as charges</del> | m Articles   |
|   |  |
| IN WITNESS WHEREOF, this agreement's                    | snall be effective as a title 20th day of April  |
| · <u>2002</u>   |  |
| ATTEST OR WITNESS:                                      | OPERATOR   |
|   |  |
|   | F1100 . (  |
|   | IMBR Sharp Drillling, Inc.   |
|   | 3/   |
|   | Type or Print Name   |
|   | Title  |
|   | Address P O Box 10970, Midland, Texas 79702-7970   |
|   |  |
| A PERSON AND AND AND AND AND AND AND AND AND AN         | NON OPERAL LODGE   |
| ATTEST OR WITNESS:                                      | NON-OPERATORS  |
|   |  |
|   |  |
|   | Ву   |
|   | Type or Print Name   |
|   | Title:-Robert J. Bullock, Sr., Trustee   |
|   |  |
|   | Address  |
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| AFTEST OR WITNESS:                                      |  |
|   |  |
|   |  |
|   |  |
|   | By   |
|   | Type or Print Name   |
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| ATTEST OR WITNESS:                                      |  |
| VI LEST OR WILL VESS.                                   |  |
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| ATTEST OR WITNESS:                                      |  |
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|   | By:  |
|   | Type or Print Name   |
|   | Title:   |
|   | Date: Address:   |
|   |  |

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

0.89284%

f/b/o Robert J. Bullock, Jr.

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

### ARTICLE AVI. MISCELLANEOUS

this agreement shall be unidang upon and shall mare to the penefit of the parties never, and to their respective heirs, devisees caustopresentatives is accessors 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 syear) 2002 published in diskette form by Forms (in- 1) Once Inc 200 changes, aiterations or modifications owner than those in Articles OPERATOR 1-TMBR/SHARP DRILLING, INC. Jeffrey D. Phillips, President NON-OPERATORS 33 Printed Name: Printed Name: Robert J. Bullock, Sr., Trustee 34 Printed little: Printed Title: Printed Name: Printed Name: Printed Title: Printed Title: Printed Name: Printed Name: Printed Title: Printed litte: 

|      | U.S. Postal Service<br>CERTIFIED. M<br>(Domestic Mail ) | AIL REC  | EIPT<br>Insuranc | e Coverage Provided)         |
|------|---|----------|------------------|------------------------------|
| S    |   |          |                  |                              |
| 535  | DKLAHOMA CI   | TY, OK 7 | 73154            |                              |
| m    | Postage   | \$       | 3 <b>.50</b>     | UNIT ID: 0708                |
| 700  | Certified Fee   |          | 2.10             | Postmark                     |
|      | Return Receipt Fee<br>(Endorsement Required)            |          | 1.50             | Here  Clerk: KHGFOG          |
| 2000 | Restricted Delivery Fee<br>(Endorsement Required)       |          |                  |                              |
|      | Total Postage & Fees                                    | \$       | 7.10             | 05/04/02                     |
| 0460 | Sent To   | esapeai  | ke Ene           | rgy Corp.                    |
| 20   | Street Ant No.:   | O. Bo    |                  | i                            |
| 70   |   | lahoma   | City,            | OK 73154-0496                |
|      | PS Form 3800, Janua                                     | ry 2001  |                  | See Reverse for Instructions |

| SENDER: COMPLETE THIS SECTION   | COMPLETE THIS SECTION ON DELIVERY   |
|---|---|
| <ul> <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> <li>Article Addressed to:</li> <li>CHESAPEAKE ENERGY CORP.</li> <li>P. O. BOX 18496</li> </ul> | A. Signature BRIAN IMES  X  |
| OKLAHOMA CITY, OK 73154-0496  | 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 5325  |



**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

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

|   | TMBR/ Sharp Drilling, INC.   |  |   | AFE Number = .   |   |
|---|--|--|---|--|---|
| ×   | AUTHORIZATION FOR EXPENDITURE  |  |   | Well No .  |   |
| Name<br>Lin 25  |  | State<br>New Mexico  | County Parish<br>Lea  | 1913/5N1 & 724 FW1 N.C 25, 7168.   | R 35E   |
| ul i  | <u> </u>   | :  | COST TO   | COMPLETION   | TOTAL   |
| (e :  | INTANGIBLE DESC  | RIPTION  | CASING POINT  | COST   | WELL COST   |
|   | arvers Permats Bonds   |  | 1200  |  | 1.200   |
|   | ouds Lucation Damages  | _  | 30000   | <del>·</del>   | 30,000  |
|   | (ob demon  |  | 27300   |  | 27,000  |
|   | nling Contract-  | _  | 122410  | 25,560   | 426,000   |
|   | Davikork Šodaks At ŠN520. dav.<br>Footaga  | -  | 400440  | 25,500   | <del></del>   |
|   | Completion Unit 15 days At \$  | 2/ un in   |   | 30.000   | 30,000  |
|   | fud Chemicals  | - 1.50 day   | 35000   | ,  | 35.000  |
| 1   | /ater  | _  | 18000   | 3.000  | 21,000  |
| o C   | ement/Cementing Services   | Γ  | 20000   | 36,000   | 56.000  |
| įFι   | uel/Electricity. Generator/lights  |  | 28200   | 1.800  | 30.000  |
| .1 B  | its  | _  | 65000   |  | 65.000  |
| : R   | eamers stabilizers   |  | 15000   |  | 15,000  |
| 4 1St   | ervice Equipment   | -  | 2000  | 5,000  | 7,000   |
|   | quipment rentals   | <b>i</b> –   | 10000   | 35.000   | 45.000  |
| ,   | Virenne Unit   | -  |   |  | <del> </del>  |
|   | 1ud Logging/Paleo/Bioassay   | Ĺ  | 18000   | 25.000   | 18,000  |
| 4   | pen Hole Logging   | ;-   | 25000   | 25.000   | 50.000  |
| - 1   | Onll Stem Testing and coring   | <u> </u>   | 20000   | 1.500  | 20,000  |
| i   | ubular Inspection/Testing<br>ransportation (land)  | L  | 3000  | 1.500<br>2.000   | 4,500<br>5,000  |
| 1   | quipment inspection/testing  | -  | 3000<br>2500  | 2,000  | 4.500   |
|   | Casing Crews/Tongs   | F  | 4500  | 5,000  | 9,500   |
| ,   | Orilling Overhead  | H  | 6500  | 1,500  | 8.000   |
|   | upervision   | <del>-</del>   | 2750  | 5,500  | 8,250   |
| - 1   | asea Hole Logging & Perf   |  | <del></del>   | 5.500  | 5,500   |
|   | timulation   |  |   | 100,000  | 100,000   |
| s P   | roduction Testing  | -  |   | 10.000   | 10,000  |
| :>  C   | Completion Fluids  |  |   | 2.500  | 2,500   |
| 30 F  | ishing Tools, Supervisor   |  | 5000  |  | 5,000   |
| 11 C  | Contract labor   |  | 2500  | 3,000  | 5,500   |
|   | nsurance   | Ĺ  | 8756  | 2.919  | 11,675  |
| 32   Lr   |  |  |   |  |   |
| 33 P  | lug and Abandon  | [  | 15000   |  | 15.000  |
| 33 P<br>34 IC   | Plug and Abandon<br>Contingency (7%)   |  | 53784   | 21195  | \$74.979  |
| 33   P<br>34   C<br>TAL   | Plug and Abandon<br>Conungency (7%)<br>INTANGIBLE ESTIMATED (  | COST   |   | 21195<br>\$323.974   | <del></del>   |
| 33 P<br>34 IC<br>TAL<br>NGIB  | Plug and Abandon<br>Contingency (7%)   |  | 53784   | المستر والمستر والمستر والمستري والمستري والمستري والمستري والمستري  | \$74.979  |
| 33   P<br>34   C<br>FAL<br>NGIB   | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION   | Conductor  | 53784<br>\$822,130  | المستر والمستر والمستر والمستري والمستري والمستري والمستري والمستري  | \$74.979  |
| 33   P<br>34   C<br>[AL<br>NGIB<br>35  <br>36   5   | Plug and Abandon<br>Conungency (7%)<br>INTANGIBLE ESTIMATED (  |  | 53784<br>\$822,130<br>7,750   | المستر والمستر والمستر والمستري والمستري والمستري والمستري والمستري  | \$74.979<br>\$1,146,104   |
| 33   P<br>34   C<br>AL<br>MGIB<br>35  <br>36   5  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  | Conductor Surface Casing   | 53784<br>\$822,130  | المستر والمستر والمستر والمستري والمستري والمستري والمستري والمستري  | \$74.979<br>\$1,146,104<br>7,750  |
| AL GIB  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  | Conductor Surface Casing Intermediate Csg  | 53784<br>\$822,130<br>7,750   | المستر والمستر والمستر والمستري والمستري والمستري والمستري والمستري  | \$74.979<br>\$1,146,104<br>7,750  |
| 33   P<br>34   C<br>1AL<br>35  <br>36   5<br>37   5   | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  | Conductor Surface Casing Intermediate Csg Intermediate Csg   | 53784<br>\$822,130<br>7,750   | المستر والمستر والمستر والمستري والمستري والمستري والمستري والمستري  | \$74.979<br>\$1,146,104<br>7,750  |
| 33   P<br>34   C<br>AL<br>NGIB<br>35  <br>36   5<br>37   5<br>39  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  5000° of 9 5/8" 40# @ 13 00/FT  | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg  | 53784<br>\$822,130<br>7,750   | \$323.974  | \$74.979<br>\$1,146,104<br>7,750<br>65,000  |
| 33   P<br>34   C<br>TAL<br>  GIB<br>  35   5<br>  37   5<br>  39   40   1<br>  41   11  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  5000° of 9 5/8" 40# @ 13 00/FT  | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Production Csg  | 53784<br>\$822,130<br>7,750   | \$323.974<br>143.750   | \$74.979<br>\$1,146,104<br>7,750<br>65,000  |
| 33 P<br>34 C<br>TAL<br>GIB<br>35 5<br>36 5<br>37 6<br>39 40 1<br>41 13<br>42 1  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  5000° of 9 5/8" 40# @ 13 00/FT  12.500° of 7" 26# @ 11 50/FT  500° of 4   2"     60# /2 5 75 ft  | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner   | 53784<br>\$822,130<br>7,750   | \$323.974<br>143.750<br>8.625  | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625  |
| 33   P   34   C   TAL   NG   B   35   5   36   5   37   5   37   5   41   10   42   1   41   41   41   41   41   41   | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  500 of 4 1 2" 11 60# 45 5 75 ft  13800 of 2 7/8" 6.50# @3.20/FT   | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing  | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160  | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160  |
| 33   P   34   C   C   AL   C   C   C   C   C   C   C   C   C  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  5007 of 4 1 2" 11 60# 42 5 75 ft  13800 of 2 7/8" 6.50# @3.20/FT  Wellhead Equipment  | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing                                       | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000   | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160  |
| 33   P   34   C   C   AL   NGIB   35   S   35   S   36   S   37   S   37   S   37   S   38   S   S   38   S   S   S   S   S   S   S   S   S | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  500 of 4 1 2" 11 60# 45 5 75 ft  13800 of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment  | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing                                       | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000<br>7.000  | \$74,979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160  |
| 33   P   34   C   FAL   NGIB   35   5   5   37   6   37   44   10   10   10   10   10   10   10   | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  5000 of 4 1 2" 11 60# 42 5 75 ft  13800 of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Chart Equipment Chart Equipment   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing                                       | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000   | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160  |
| 33 P C FAL NGIB 35 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  5000 of 4 1 2" 11 60# 42 5 75 ft  13800 of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Charles E   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing                                       | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000<br>7.000  | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160  |
| 33 P C AL   AG B S S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT 500° of 9 5/8" 40# @ 13 00/FT  12.500° of 7" 26# @ 11 50/FT 500° of 4 1.2" 11 60# \$\alpha\$ 5.75 it 13800° of 2 7/8" 6.50# @3.20/FT  Wellhead Equipment Continue Equipment County Only 1 Base / Engine Sucker rods, Polished Rods   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing                                | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000<br>7.000<br>12.000  | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000  |
| 33 P C S S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15 50/FT 500° of 9 5/8" 40# @ 13 00/FT  12.500° of 7" 26# @ 11 50/FT 500° of 4 1.2" 11 60# \$\alpha\$ 5.75 it 13800° of 2 7/8" 6.50# @3.20/FT  Wellhead Equipment Continue Equipment County Of the County | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing                         | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000<br>7.000<br>12.000  | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000  |
| 33 P C S S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  500° of 9 5/8" 40# @ 13 00/FT  12.500° of 7" 26# @ 11 50/FT  12.500° of 4 1 2" 11 60# ½ 5 75 ft  13800° of 2 7/8" 6.50# @3.20/FT  Wellhead Equipment Continued Equipment Country (17 18 18 18 18 18 18 18 18 18 18 18 18 18  | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000<br>7.000<br>12.000<br>60.000<br>8.000   | \$74,979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000   |
| 33 P S S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED ( BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  500° of 7" 26# @ 11 50/FT  12.500° of 7" 26# @ 11 50/FT  13.500° of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Continued Equipment Continu   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822.130<br>7.750<br>65.000   | \$323.974<br>143.750<br>8.625<br>44.160<br>9.000<br>7.000<br>12.000  | \$74.979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000  |
| 33 P  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED OF THE PLANT OF THE PROOF OF THE PLANT O   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822.130<br>7.750<br>65.000   | \$323,974<br>143,750<br>8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500  | \$74,979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500  |
| 33 P P S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  500° of 13 3/8° 54.5 @ 15.50/FT  5000° of 9 5/8° 40# @ 13 00/FT  12.500° of 7° 26# @ 11 50/FT  500° of 4 1.2° 11 60# @ 5 75 ft  13800° of 2 7/8° 6.50# @ 3.20/FT  Wellhead Equipment Content Equipment Content Equipment Content Paginer Content C   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822,130<br>7,750<br>65,000<br>4,200<br>4,000   | \$323,974<br>143,750<br>8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000   | \$74,979<br>\$1,146,104<br>7,750<br>65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000   |
| 33 P P S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED OF THE PLANT OF THE PROOF OF THE PLANT O   | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822.130<br>7.750<br>65.000   | \$323,974<br>143,750<br>8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500  | \$74.979<br>\$1,146.104<br>7,750<br>65.000<br>143.750<br>8.625<br>44.160<br>13.200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000   |
| 33 P G G G G G G G G G G G G G G G G G G  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED OF THE PLANT OF THE PROOF OF THE PLANT O   | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822,130<br>7,750<br>65,000<br>4,200<br>4,000<br>5,667  | \$323,974<br>143,750<br>8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000<br>21,282   | \$74.979<br>\$1,146.104<br>7,750<br>65.000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000<br>26,949                                     |
| 33 P G G G G G G G G G G G G G G G G G G  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED C  BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.5500 of 7" 26# @ 11 50/FT  19.5500 of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Court of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Court of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Court of 3 Polished Rods  Producing Equipment, Tank Bat Plowlines, Vavles, Fittings/Cont Packers & Other Subsurface Toc Compressor  Miscelaneous Sale Items Contingency (7%)  TANGIBLE ESTIMATED CO  | Conductor Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Tubing Tubing           | 53784<br>\$822,130<br>7,750<br>65,000<br>4,200<br>4,000<br>5,667<br>\$86,617<br>\$908,747   | \$323,974<br>143,750<br>8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000<br>21,282<br>\$325,317  | \$74,979 \$1,146,104  7,750 65,000  143,750 8,625 44,160  13,200 11,000 12,000  60,000 8,000 6,500  5,000 26,949 \$411,934 \$1,558,038  |
| 33 P C FAL    GIB    34 C C FAL    GIB    35  | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED CO BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  500° of 7" 26# @ 11 50/FT  12.500° of 7" 26# @ 11 50/FT  12.500° of 4 1.2" 11 60# 12.5 75 ft  13800° of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Continue Equipment Courage    | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing tery, Flowline nections | 53784 \$822,130  7,750 65,000  4,200 4,000  4,000  5,667 \$86,617 \$908,747  IT IS RECOGNIZE OF THIS AUTHOR   | \$323,974  143,750  8,625  44,160  9,000  7,000  12,000  60,000  8,000  6,500  5,000  21,282  \$325,317  \$649,291  ED THAT AMOUNTS HEREIN ARE ESTIMATES ON RUZATION SHALL EXTEND TO THE ACTUAL CO.  | \$74.979 \$1,146,104  7,750 65,000  143,750 8,625 44,160  13,200 11,000 12,000  60,000 8,000 6,500  5,000 26,949 \$411,934 \$1,558,038  |
| 33 P G G G G G G G G G G G G G G G G G G  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED CO BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  5007 of 4 1.2" 11 60# @ 5 75 ft  13800 of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Course    | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing tery, Flowline nections | 53784 \$822,130  7,750 65,000  4,200 4,000  4,000  5,667 \$86,617 \$908,747  IT IS RECOGNIZE OF THIS AUTHOUS CONDUCTING                                 | \$323,974  143,750  8,625  44,160  9,000  7,000  12,000  12,000  60,000  8,000  6,500  5,000  21,282  \$325,317  \$649,291  ED THAT AMOUNTS HEREIN ARE ESTIMATES OR RIZATION SHALL EXTEND TO THE ACTUAL COSTITIE OPERATION SPECIFIED, WHETHER MORE | \$74.979 \$1,146,104  7,750 65,000  143,750 8,625 44,160  13,200 11,000 12,000  60,000 8,000 6,500  5,000 26,949 \$411,934 \$1,558,038  |
| 33 P C S S S S S S S S S S S S S S S S S S  | Plug and Abandon Contingency (7%)  INTANGIBLE ESTIMATED CO BLE DESCRIPTION  5000 of 13 3/8" 54.5 @ 15.50/FT  5000 of 9 5/8" 40# @ 13 00/FT  12.500 of 7" 26# @ 11 50/FT  5007 of 4 1.2" 11 60# //2 5 75 ft  13800 of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Contingency Court / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Plowlines, Vavles, Fittings/Contraction Packers & Other Subsurface Toc Compressor Miscelaneous Sale Items Contingency (7%)  TANGIBLE ESTIMATED CO AFE ESTIMATED COST  VAL AND ACCEPTANCE  ant Chesapeake Oper   | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing tery, Flowline nections | 53784 \$822,130  7.750 65,000  4.200 4.000  4.000  5.667 \$86.617 \$908.747  IT IS RECOGNIZE OF THIS AUTHOL IN CONDUCTING HEREIN SET OUT HEREIN SET OUT | \$323.974  143.750  8.625  44.160  9.000  7.000  12.000  60.000  8.000  6.500  5.000  21.282  \$325.317  \$649.291  ED THAT AMOUNTS HEREIN ARE ESTIMATES ON RIZATION SHALL EXTEND TO THE ACTUAL COSTITLE OPERATION SPECIFIED. WHETHER MORE         | \$74,979 \$1,146,104  7,750 65,000  143,750 8,625 44,160  13,200 11,000 12,000  60,000 8,000 6,500  5,000 26,949 \$411,934 \$1,558,038  GLY AND APPROVAL STS INCURRED IN OR LESS THAN THE |
| 3 P G G G G G G G G G G G G G G G G G G   | Plug and Abandon Contingency (7%) INTANGIBLE ESTIMATED CO BLE DESCRIPTION  500° of 13 3/8" 54.5 @ 15.50/FT  500° of 7" 26# @ 11 50/FT  12.500° of 7" 26# @ 11 50/FT  12.500° of 4 1.2" 11 60# 12.5 75 ft  13800° of 2 7/8" 6.50# @ 3.20/FT  Wellhead Equipment Continue Equipment Courage    | Conductor Surface Cusing Intermediate Csg Intermediate Csg Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing tery, Flowline nections | 53784 \$822,130  7.750 65,000  4.200 4.000  4.000  5.667 \$86.617 \$908.747  IT IS RECOGNIZE OF THIS AUTHOL IN CONDUCTING HEREIN SET OUT HEREIN SET OUT | \$323,974  143,750  8,625  44,160  9,000  7,000  12,000  12,000  60,000  8,000  6,500  5,000  21,282  \$325,317  \$649,291  ED THAT AMOUNTS HEREIN ARE ESTIMATES OR RIZATION SHALL EXTEND TO THE ACTUAL COSTITIE OPERATION SPECIFIED, WHETHER MORE | \$74,979 \$1,146,104  7,750 65,000  143,750 8,625 44,160  13,200 11,000 12,000  60,000 8,000 6,500  5,000 26,949 \$411,934 \$1,558,038  GLY AND APPROVAL STS INCURRED IN OR LESS THAN THE |

Date May 15, 2002



. rawer 10070 | Mand Texas 79700-7970 | 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.

Denmis J. Hopkins, CPL

Land Manager

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

Operating, Inc.

Name: A

orey k. McClendor

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

### ARTICLE VIII

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promotive notion all other parties of any acreage or cash contributions in may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well critical inside the contract Area.

if any party contracts for any consideration relating to disposition by such party contracts for any consideration shall not be deemed a contribution as contemplated in this Article VIII C.

### Br - Maintenance of Uniform Interests:

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For the purpose of maintaining uniformity of evidenship in the oil and gas reachold interests covered by this agreement, as parts shall sell, encumber, transfer or make other disposition of its interest in the leave, embraced within the Contract Area and in wells equipment and production unless such disposition evers either.

- the entire interest of the party in all leases and equipment and production, or
- 2 an equal undivided interest in all leases and component and production in their intract 3220

Eten ruen sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement ad shall be made without promittee to the right of the subject parties.

If all any time the interest of any party is divided among and owned by four or more so owners. Operator, at its discretion, may require such so owners to appoint a single trustee or agent with full authority to receive netices, approve appenditures, receive billings for and approve and pay such party is share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party is interest within the scope of the operations emorated in this agreement, however, all such so owners shall have the right to enter the order of the operation of their respective shares of the orientage produced from the Contract.

Area and they shall have the right to receive, separatory payment of the sale package thereof.

#### 29 E. Waiver of Rights to Partition:

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

### 35 F. Preferential Right to Purchase:

Should any party desire to self all or any part of its interests under this agreement, or its rights and interests in the Contract Area it shall promptly give written notice to the other names and able to purchase its proposed sale, which shall include the name and address of the prospective purchaser twho must be ready, willing and able to purchase. The purchase price and all other terms of the offer. The other parties shall than have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to self, and if this optional right is exercised, the purchasing parties shall share the purchased interest of the purchase in the purchase of the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or in dispose of its interests by interests by interest, or consolidation, or sale of all or substantially all of its assets to a substidiary or purent company or to as obsidiary 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

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 liabilities hereunder are several 52 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 1, 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 1, 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

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### ARTICLE XVI.

| ;        | MISCELLANI  | 2008   |
|----------|---|--|
| :        | This agreement shall be binding upon and shall mare to the nene-local representatives, successors and assigns | fit of the parties hereto and to their respective heirs, devisees, |
| -        | This instrument may be executed in any number of 2 junterparts, each  | of which shall be a dislocated an original for all purposes        |
| ,        | IN WITNESS WHEREOF, this agreement shall be effective as of   | 20th 24v et <u>Voril</u> year) 2002                                |
|          |   |  |
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| 12       | with printed from and with the exception inted below in identical to the                                      |  |
| 14       | numbered in askette form by Forms Oil - Dook, inc - Changes, aiteratio  |  |
| 15       |   |  |
| 16       | OPERAT  | O R  |
|          |   | TAMPO CHA DE DELLE IN C. IN C.                                     |
| 18       |   | TMBR/SHARP DRILLING, INC.  |
| ļų.      |   |  |
| 20       |   |  |
| 21       |   | By:  |
| 23       |   | Jeffrey D. Phillips, President                                     |
| 24       |   |  |
| 25       |   |  |
| 26       | NON-OPER.   | ATORS  |
| 27       |   |  |
| 28       | VATES PETROLEUM CORPORATION   | YATES DRILLING COMPANY   |
| 29       | THE TETROLECT CONTOURTED  | TATES DATES. AV COMMAND  |
| 30       |   |  |
| 31<br>32 |   | α  |
| 33       | Printed Name:   | By:  |
| 34       | Printed Title:  | Printed Title:   |
| 3.5      |   |  |
| 36       | MVCO INDUSTRIES, INC.   | ABO PETROLEUM CORP   |
| 37       |   |  |
| 38       |   |  |
| 39       |   | Ву:  |
| 40<br>41 | Printed Name: Printed Title:  | Printed Name:  |
| 42       | rrinted title;  | Printed Title:   |
|          | CHESAPEAKE-ENERGY-CORP.   |  |
| 14       |   | íp   |
| 45       | 1. h  |  |
| 46       |   | Bv:  |
| 47       | Printed Name: Henry J. (Hood  | Printed Name:  |
| 48       | Printed Title: Senior Vice President-Land and   | Printed Title:   |
| 50       | Legal of Chesapeake Operating,  | Inc.,  |
| 51       |   | •  |
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| STATE OF TEXAS : COUNTY OF MIDLAND :   | ÷   |
|--|---|
| This instrument was acknowledged before Phillips. President of TMBR Sharp Drilling, Inc.   | ore me on the 20° day of April, 2002 by Jeffrey D.<br>L. a. Texas comporation, on behalf of said corporation. |
| ,  | ,   |
|  | Notary Public, State of   |
|  | Printed Name:  Commission Expires:  |
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| corporation, on beh  | alf of said corporation.  |
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|  | Notary Public. State of   |
|  | Printed Name: Commission Expires:   |
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|  | Notary Public, State of   |
|  | Printed Name:Commission Expires:  |
| STATE OF OKLAHOMA §  |   |
| COUNTY OF OKLAHOMA §   |   |
| This instrument was acknowledged be  | efore me on the 21st day of May 2002 by nt - Land and Legal of Chesapeake Operating, Inc.                     |
| General de Tick of Chesapeake Explo  | oration Limited Partnership.  |
| HOTAR  | /_ t _ t _ t _ t _ t  |
| PURUC OF   | Notary Public, State of <u>Oklahoma</u> Printed Name: Sandra L. Mathis  |
| ONTE OF STATE OF STAT | Commission Expires: May 5, 2006   |
| AHOM   | Commission Number: 02007791   |
| This instrument was acknowledged be Henry J. Hooding enior Vice Presider General Balling Chesapeake Exploration of Ahometical Chesapeake Exploration of Chesapea |   |
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| 2                | Exploration Limited<br>(hesapeuketmengetemp. Partnership                     |
|------------------|--|
| 4                |  |
|                  |  |
| -                | Bv:  |
|                  | ispeor Print Name<br>Utle: Henry J. Hood, Senior Vice President -            |
|                  | -Hme- Land and Legal of Chesapeake Operating                                 |
| .2               | -toures: Inc., General Partner of Chesapeake Exploration Limited Partnership |
| 13               | Date: May 21, 2002   |
| .4               | Address: P.O. Box 18496  |
| 15               | Oklahoma City, OK 73154-0496   |
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- 4 -

| This instrument was acknowledged before me on the 20" day of April, 2002 by Jetifrey D. Phillips. President of TMBR Sharp Orilling. Inc. a Fexas corporation, on behalf of said corporation.    Notary Public, State of Printed Name:  |       |
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| STATE OF   |       |
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| This instrument was acknowledged before me on theday of2002 by of  |       |
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| This instrument was acknowledged before me on theday of2002 by   |       |
| This instrument was acknowledged before me on theday of2002 by   |       |
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| corporation. on behalf of said corporation.  Notary Public. State of   |       |
| Corporation. on behalf of said corporation.  Notary Public. State of   |       |
| Notary Public, State of  |       |
| Notary Public. State of  |       |
| STATE OF   |       |
| STATE OF   |       |
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| Corporation. on behalf of said corporation.  Notary Public. State of   |       |
| 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:   |       |
| 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:  |       |
| 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:  |       |
| COUNTY OF \$  This instrument was acknowledged before me on the day of 2002 by  Notary Public, State of  Printed Name:   |       |
| This instrument was acknowledged before me on theday of2002 by  Notary Public, State of  Printed Name:   |       |
| This instrument was acknowledged before me on theday of2002 by  Notary Public, State of  Printed Name:   |       |
| Notary Public, State of Printed Name:  |       |
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| Printed Name:  |       |
|  |       |
| Commission Expires:  |       |
| STATE OF OKLAHOMA §  |       |
| COUNTY OF OKLAHOMA §   |       |
| This instrument was acknowledged before me on the 21st day of May 2007 by  |       |
| This instrument was acknowledged before me on the 21st 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.   |       |
| Reneral Partner of Chesapeake Exploration Limited Partnership.  Notary Public, State of Oklahoma Printed Name: Sandra L. Mathis Commission Expires: May 5, 2006 Commission Number: 02007791  |       |
| Printed Name: Sandra L. Mathis   | -     |
| PUBLIC Commission Expires: May 5, 2006  NAMO FOR Commission Number: 02007791   |       |
| STATEOF COMMITSSION NUMBER: 0200/791   |       |
| T AHOM A TOTAL AND THE |       |
| WINDOWY COMMILE.   |       |

### 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:

Worker's Compensation Employer's Liability

\$100,000 each accident

Comprehensive General Liability including:

> (a) property damage and bodily injury liability including. but not limited to, losses resulting from explosion. collapse, underground damage: and

\$1,000.000

Combined single limit

(b) contractual liability assumed

under this Agreement.

Comprehensive Automobile Liability covering owned, non-owned and hired

vehicles.

\$1,000,000

Combined single limit

Umbrella Liability

in excess of A (except Worker's Compensation), B and C above E. Cost of Well Control and Operator's Extra Expense, including Care, Custody, and Control Coverage

\$20,000,000

Combined single unit \$5,000,000 OEE and Well Control \$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
- 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 Servi<br>CERTIFIED M<br>(Domestic Mail | AIL RE  |              | se Coverage Provided):       |  |
|------|--|---------|--------------|------------------------------|--|
| 40   |  |         |              |                              |  |
| 528  | artesia, n   | M 88210 |              |                              |  |
| m    | Postage  | \$      | 3 <b>.50</b> | UNIT ID: 0708                |  |
| 007  | Certified Fee                                      |         | 2.10         |                              |  |
|      | Return Receipt Fee<br>(Endorsement Required)       |         | 1.50         | Postmark<br>Here             |  |
| 000  | Restricted Delivery Fee<br>(Endorsement Required)  |         |              | Clerk: KHGFOG                |  |
|      | Total Postage & Fees                               | \$      | 7.10         | 05/04/02                     |  |
| 0460 | Sent To  |         |              |                              |  |
|      | Yates Petroleum Corp etal                          |         |              |                              |  |
| 02   | Street, Apt. No.;                                  |         |              | Street                       |  |
| 70   |  | tesia,  | NM 8         | 8210                         |  |
|      | PS Form 3800, Janua                                | ry 2001 |              | See Reverse for Instructions |  |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
|--|---|
| <ul> <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> <li>1. Article Addressed to:</li> </ul> YATES PETROLEUM CORP ETAL | A. Signature  X   |
| 105 SOUTH 4 <sup>TH</sup> STREET<br>ARTESIA, NM 88210  | 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 [  | 002 0073 5288   |



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

ert Bullick

Robert Bullock Landman

RB:bn enclosure(s)

Drawer 10970 Midland Texas 79702-1970 -15-699-5050

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, 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.  |             |         |  |
|--|-------------|---------|--|
| Devinis J. Hopkins, CPL  |             |         |  |
| Land Manager   |             |         |  |
| AGREED AND ACCEPTED THIS   | DAÝ OF      | , 2002, |  |
| for participation in the Well for the Corporation, Yates Drilling Company, . |             |         |  |
|  |             |         |  |
| By:  |             |         |  |
| Name:  | _           |         |  |
| Title:   | <del></del> |         |  |
|  |             |         |  |

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

|   | harp Drilling, I<br>TION FOR EXPE | AFE Number # 1 23-A  Well No. 1.        |   |                         |
|---|-----------------------------------|---|---|-------------------------|
| ime   | State                             | County/Pansh                            | Location:                               | <del></del>             |
| 25  | New Mexico                        | lea COST TO                             | 1913' FNL & 924' FWL , Sec 25. T16S. R  |                         |
| INTANGIBLE DESC   | PIPTION:                          | COST TO<br>CASING POINT                 | COMPLETION                              | TOTAL<br>WELL COST      |
| Surveys Permits Bonds   | ANI TIO.                          | 1200                                    | 333                                     | 1.200                   |
| Roads Location/Damages  | F                                 | 30000                                   |   | 30,000                  |
| Mob/demob   | <del>-</del> -                    | 27000                                   |   | 27,000                  |
| Drilling Contract-  | -                                 |   |   |                         |
| Daywork 50days At \$8520 day  |                                   | 400440                                  | 25.560                                  | 426,000                 |
| 1 Footage   | _                                 |   |   |                         |
| Completion Unit: 15 days At S   | 2000 day                          |   | 30.000                                  | 30,000                  |
| Mud Chemicals   |                                   | 35000                                   |   | 35,000                  |
| Water   |                                   | 18000                                   | 3.000                                   | 21,000                  |
| Cement Cementing Services   | F                                 | 20000                                   | 36,000                                  | 56,000                  |
| Fuel/Electricity/Generator/lights   |                                   | 28200                                   | 1.800                                   | 30,000                  |
| Bits  |                                   | 65000                                   |   | 65,000                  |
| Reamers: stabilizers  |                                   | 15000                                   |   | 15,000                  |
| Service Equipment   |                                   | 2000                                    | 5,000                                   | 7.000                   |
| Equipment rentals   |                                   | 10000                                   | 35,000                                  | 45,000                  |
| Wire line Unit  |                                   |   |   |                         |
| Mud Logging/Paleo/Bioassay  |                                   | 18000                                   |   | 18,000                  |
| Open Hole Logging   |                                   | 25000                                   | 25,000                                  | 50,000                  |
| 9 Drill Stem Testing and coring   |                                   | 20000                                   |   | 20,000                  |
| Tubular Inspection/Testing  | ļ                                 | 3000                                    | 1,500                                   | 4.500                   |
| Transportation (land)   | ļ                                 | 3000                                    | 2.000                                   | 5,000                   |
| 2 Equipment inspection/testing  | ļ                                 | 2500                                    | 2,000                                   | 4,500                   |
| Casing Crews/Tongs  |                                   | 4500                                    | 5,000                                   | 9,500                   |
| Drilling Overhead   |                                   | 6500                                    | 1,500                                   | 8,000                   |
| Supervision   | ļ                                 | 2750                                    | 5,500                                   | 8,250                   |
| 6 Cased Hole Logging & Perf   |                                   |   | 5.500                                   | 5,500                   |
| Stimulation   | ļ                                 | <del></del>                             | 100,000                                 | 100,000                 |
| 8 Production Testing  |                                   |   | 10,000                                  | 10,000                  |
| 9 Completion Fluids   |                                   |   | 2,500                                   | 2,500                   |
| 0 Fishing Tools. Supervisor   |                                   | 5000                                    |   | 5,000                   |
| Contract labor  |                                   | 2500                                    | 3,000                                   | 5,500                   |
| 2 Insurance   |                                   | 8756                                    | 2.919                                   | 11,675                  |
| 3 Plug and Abandon  |                                   | 15000                                   |   | 15,000                  |
| 4 Contingency (7%)  | 2000                              | 53784                                   | 21195                                   | \$74,979                |
| AL INTANGIBLE ESTIMATED   | COSI                              | \$822,130                               | \$323,974                               | \$1,146,104             |
| GIBLE DESCRIPTION   | Conductor                         |   |   |                         |
| 5 6 500' of 13 3/8" 54 5 @15.50/FT  | Surface Casing                    | 7.750                                   |   | 7,750                   |
| 7   5000' of 9 5/8" 40# @ 13.00/FT  | Intermediate Csg                  | 65,000                                  | <del>-  </del>                          | 65,000                  |
| 8   | Intermediate Csg                  | 00,000                                  |   | 00,000                  |
| 9   | Intermediate Csg                  | <del></del>                             |   | <del> </del>            |
| }   | Production Csg                    | <del></del>                             | 143,750                                 | 143,750                 |
| _   | 5                                 |   | 8,625                                   | 8,625                   |
| 1   1500' of 4   2"   1 60# @ 5.75 ft<br>2   13800' of 2 7/8" 6.50# @ 3.20/FT | Liner<br>Tubing                   | <del></del>                             | 44,160                                  | 44,160                  |
| 13800° of 2 7/8" 6.50# @3.20/FT   | Tubing                            | <del></del>                             | 44,100                                  | 77,100                  |
| ч (   | Tubing                            |   |   | <del> </del>            |
| 5 Wellhead Equipment  | ruomg                             | 4,200                                   | 9,000                                   | 13,200                  |
| 6 Float Equipment   |                                   | 4,000                                   | 7,000                                   | 11,000                  |
| Liner Equipment   |                                   | 7,000                                   | 12,000                                  | 12,000                  |
| Pumping Unit / Base / Engine  |                                   |   | 12,000                                  | 12,000                  |
| Sucker rods, Polished Rods  |                                   |   |   |                         |
| Producing Equipment, Tank Ba  | ttery, Flowline                   |   | 60,000                                  | 60,000                  |
| Flowlines, Vavles, Fittings/Con   | -                                 |   | 8,000                                   | 8,000                   |
| 2 Packers & Other Subsurface To   |                                   |   | 6,500                                   | 6,500                   |
| Compressor  |                                   |   |   |                         |
| Miscelaneous Sale Items   |                                   |   | 5,000                                   | 5,000                   |
| 5 Contingency (7%)  |                                   | 5,667                                   | 21,282                                  | 26,949                  |
| AL TANGIBLE ESTIMATED CO  | TZC                               | \$86,617                                | \$325,317                               | \$411,934               |
| AL AFE ESTIMATED COST   |                                   | \$908,747                               | \$649,291                               | \$1,558,038             |
| ROVAL AND ACCEPTANCE  |                                   |   | ED THAT AMOUNTS HEREIN ARE ESTIMATES ON |                         |
| 1   |                                   | + <del>-</del>                          |   |                         |
| ,   | 0.                                | 054687% Abo Petr                        | oleum Corporation                       | 0.007813%               |
| Petpoleum Corporation   |                                   | 1 10 00 B. 1M                           | a allet 1                               | n ' ~-                  |
| S Petpoleum Corporation   |                                   | : <u>&amp; \$0 - 62 _ By: <u>/</u>F</u> | ma yours                                | Date: 6 A CA            |
| Petroleum Corporation   | Date:                             |   |   |                         |
| Setroleum Corporation   |                                   |   | Justries, Inc                           | 0.0079120/              |
| s Petpoleum Corporation  Milling Company                                      |                                   |   | dustries, Inc.                          | 0.007813%               |
| Min JACT  | 0.                                |   | dustries, Inc.                          | 0.007813%  Date: 6 38 0 |

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%

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

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    | Ş |
|-------------------|---|
| COUNTY OF MIDLAND | S |

This instrument was acknowledged before me on the 20<sup>in</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

Notary Public, State of New Mexico

Barbara Nelson

|  | no has prepared and circulated this form for evecution, represents and warrants                                  |
|--|--|
|  | exception(5) dister neion. is identical to the AAPL Form 610RS-1989 Model  |
|  | Agreement and Financing Statement, as published in computerized form by  |
| <del>offits (III -) Thick, INC. No enances, aitefalle</del><br>Hel that itelesteatry recount (abus 1911) in consecut | on, or moderications, other than those made by structured and or insertion  Afficies  have been made to the form |
| are many recognization are changes in  | The recti made to the form   |
|  |  |
| NWITNESS WHEREOF, this agreement sh<br>2002.   | all be effective as of the 20th day of   |
| ar <u>-00-</u> .   |  |
| ITTEST OR WITNESS:   | OPERATOR   |
|  |  |
|  | TMBR Sharp Drittling, Inc.   |
|  |  |
|  | Type or Print Name   |
|  | Type or Print Name Title. Jeffers D. Phillips, President   |
|  | Date:  |
|  | Address, P O Box 10970, Midland, Texas 79702-7970  |
|  |  |
| ATTEST OR WITNESS:   | NON-OPERATORS  |
|  | Vates Petroleum Corporation  |
|  |  |
|  | Les with the   |
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|  | Yates Drilling Company   |
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| ATTEST OR WITNESS:   | MYCO Industries, Inc.  |
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| ATTEST OR WITNESS:   |  |
|  | Abo Petroleum Corp.  |
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|  | 11. 1/1.   |
|  | By: Pille 1. Person  |
|  | Title: 1 Community of a 1  |
|  | Date:  |
|  | Address: 105 South it Ait sig il crisio  |

#### ARTICLE XVI. MISCELLANEOUS

|                                       | MISCELLA VEOUS  |   |  |  |  |
|---------------------------------------|---|---|--|--|--|
| · · · · · · · · · · · · · · · · · · · | This agreement shall be binding upon and shall inure to the benicgal representatives, successors and assigns  | refit of the parties nereto and to their respective neits, devisees,  |  |  |  |
| - 4                                   | 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 Jav of April, year) 2002   |   |  |  |  |
| 10                                    |   |   |  |  |  |
| 12                                    |   | plated this form for execution, represents and warrants that the form |  |  |  |
| (3                                    | was printed from and with the exception fisted below, is identical to the published in diskette form by Forms On A. Disk, Inc. No changes, alteration |   |  |  |  |
| , i                                   | problem of Forms Of A. Disk. Inc. An Changes, afterack  | have been made to the form  |  |  |  |
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| 16                                    | OPERAT  | TOR   |  |  |  |
| . 7                                   |   | TMBR/SHARP DRILLING, INC.   |  |  |  |
| 8                                     |   | Landshare Principles (1997)   |  |  |  |
| 70                                    |   |   |  |  |  |
| 20<br>21                              |   | 0.  |  |  |  |
| 22                                    |   | Jeffrey D. Phillips, President  |  |  |  |
| 23                                    |   | series b. Familys, Fresident  |  |  |  |
| 24                                    |   |   |  |  |  |
| 25                                    |   |   |  |  |  |
| 26                                    | NON-OPER  | ATORS   |  |  |  |
| 27                                    |   |   |  |  |  |
| 28                                    | VATES PETROLEUM CORPORATION   | YATES DRILLING COMPANY  |  |  |  |
| 29                                    | TATES PETROLECTI CORPORATION  | TATES DRILLENG COMPANY  |  |  |  |
| 30                                    | $\gamma$  | $\gamma$ ,  |  |  |  |
| 31                                    | 1.000   | July Chxu   |  |  |  |
| 32                                    | - Collin College  | By: 17/7/1 /2 22/   |  |  |  |
| 33                                    | Printed Names   | Printed Name:   |  |  |  |
| 34<br>35                              | Printed Title:  | Printed Title:  |  |  |  |
| 36                                    | MYCO INDUSTRIES, INC.   | ABO PETROLEUM CORP  |  |  |  |
| 37                                    |   |   |  |  |  |
| 3 <b>8</b><br>39                      | Frank History   | By: John a - Cottinh  |  |  |  |
| 40                                    | Printed Name: 70-1515 - 12-15   | Printed/Name:   |  |  |  |
| 41<br>42                              | Printed Title: - (50 m-)  | Printed Title: According to the                                       |  |  |  |
| 43                                    | CHESAPEAKE ENERGY CORP.   |   |  |  |  |
| 44                                    |   |   |  |  |  |
| 45                                    |   |   |  |  |  |
| 46                                    |   | By:   |  |  |  |
| 47                                    | Printed Name:   | Printed Name:   |  |  |  |
| 48                                    | Printed Title:  | Printed Title:  |  |  |  |
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70

| STATE OF TEXAS     |
|--------------------|
| COUNTY OF MIDI AND |

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 20th 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

Notary Public, State of New Mexico

Barbara Nelson

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

|     | U.S. Postal Service: CERTIFIED MAIL RECEIPT (Domestic Mail-Only; No Insurance Coverage Provided) |     |             |                  |  |
|-----|--|-----|-------------|------------------|--|
| 6   |  |     |             |                  |  |
| 534 |  | 883 | <b>?0</b> 2 |                  |  |
| 23  | Postage  | \$  | 3.10        | UNIT ID: 0708    |  |
|     | Certified Fee  |     | 2.10        |                  |  |
| 200 | Return Receipt Fee<br>(Endorsement Required)   |     | 1.50        | Postmark<br>Here |  |
|     | Restricted Delivery Fee (Endorsement Required)   |     |             | Clerk: KHGFOG    |  |
| 9   | Total Postage & Fees   | \$  | 6.70        | 05/04/02         |  |
| 10  | Sent To  Branex Resources, Inc.  |     |             |                  |  |
| oi. | Street, Apt. No.; or PO Box No. P. O. Box 2320   |     |             | i                |  |
| -[  | City, State, ZIP+4  Roswell, NM 88202 2220   |     |             |                  |  |
|     | PS Form 3800, January 2001 See Reverse for Instructions  |     |             |                  |  |

| SENDER: COMPLETE THIS SECTION   | COMPLETE THIS SECTION ON DELIVERY   |
|---|---|
| <ul> <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> <li>Article Addressed to:</li> <li>BRANEX RESOURCES, INC.</li> <li>P. O. BOX 2328</li> </ul> | A. Signature  X   |
| ROSWELL, NM 88202-2328  | 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 1323 ROSWELL, NEW MIRROR (13202) 1038 505; 627-9312 (140x) 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,

F. Andrew Grooms, President

Branex Resources, Inc.

cc. Jim Bruce

iawer 1,970 I nang 1944s 19702-1970 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, |
| AGREED AND ACCELLED THIS   | DAI OI | . 20021 |
| The state of the s |        |         |
| for participation in the Well for the $0.89$ Inc.  |        |         |
| for participation in the Well for the $\overline{0.89}$  |        |         |
| for participation in the Well for the $\overline{0.89}$  |        |         |
| for participation in the Well for the $0.89$ Inc.  |        |         |
| for participation in the Well for the 0.89 Inc.  By:   |        |         |

|            | U.S. Postal Servi<br>CEHTIFIED M<br>(Domestic Mail | ALLR    |          | e Coverage Provided)⊱        |
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| E,         | Postage  | \$      | 3.10     | UNIT ID: 0708                |
| .00        | Certified Fee                                      |         | 2.10     |                              |
| 200        | Return Receipt Fee<br>(Endorsement Required)       |         | 1.50     | Postmark<br>Here             |
|            | Festricted Delivery Fee<br>(Endorsement Required)  |         |          | Clerk: KHGFOG                |
| _          | Total Postage & Fees                               | \$      | 6.70     | 05/04/02                     |
| 9+0        | Sent To<br>Rob                                     | ert M   | 1. Edsel | L                            |
| ر<br>ا     | Street. Apt. No.;<br>or PO Box No. 311             | 1 Wel   | born, N  | No. 1604                     |
| <b>~</b> ∶ |  | las,    |          | 219-5023                     |
|            | PS Form 3800; Januar                               | y 2001. | 177      | See Reverse for Instructions |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |  |  |
|--|---|--|--|
| <ul> <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> | A. Signature    Agent   Addressee   |  |  |
| ROBERT M. EDSEL 3111 WELBORN, NO. 1604   | If YES, enter delivery address below:   |  |  |
| DALLAS, TX 75219-5023  | 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 7002 0460 000  |   |  |  |
| 2. Article Number (Transfer from service labe 7002 0460 000  |   |  |  |

ntwer 1 1<mark>970</mark> Intra 17-kas (19702-1979 15-5-9-1050

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, 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,

Tun // holm

TMBR/SHARP DRILLING, INC.

| Dennis J. Hopkins, CPL                                  |                       |                       |
|---|-----------------------|-----------------------|
| Land Manager  |                       |                       |
| AGREED AND ACCEPTED THIS                                | DAY OF                | , 2002,               |
| for participation in the Well for the $\overline{0.89}$ | 928% ownership vested | i in Robert M. Edsel. |
| D   |                       |                       |
| Ву:   |                       |                       |
| Name:   | <u> </u>              |                       |
| Title:  |                       |                       |
|   |                       |                       |

| !   | ARTICLE AVI.   |   |
|-----|--|---|
| 2   | 2 MISCELLANEOUS  |   |
| 3   | <i>y</i>   |   |
| 4   | 4 This agreement shall be binding upon and shall inure to the benefit of th        | e parties hereto and to their respective heirs, devisees,                     |
| ;   | legal representatives successors and assigns                                       |   |
| ٠,  | T <sub>1</sub>   |   |
| -   | This instrument may be executed in any number of counterparts, each of which       | h shall be considered an original for all purposes                            |
| 8   | ×  |   |
| 9   | 9 IN WITNESS WHERFOF, this agreement shall be effective as of                      | hlay of\(\frac{\text{Vpril}}{\text{Log}}\) (year) \(\frac{2002}{\text{Log}}\) |
| į O | [0]  |   |
| 1.1 | 11 who has prepared and circulated this  | form for execution, represents and warrants that the form                     |
| 12  | 12 was printed from and with the exception listed below, is identical to the AAPI, | Form 610-1982 Moder Form Operating Agreement: as                              |
| 13  |  | odifications, other than those in Articles                                    |
| 14  | 14   | have neen made to the form  |
| 15  |  |   |
| 16  | 16 OPERATOR  |   |
| 17  |  |   |
| 18  | 18   | R/SHARP DRILLING, INC.  |
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| 20  | 20   |   |
| 21  | 21 By:   |   |
| 22  |  | Jeffrey D. Phillips, President  |
| 23  | 23   | , , , , , , , , , , , , , , , , , , ,   |
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| 29  | RR A *   | NEX RESOURCES, INC.   |
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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.

Lands subject to this Agreement: A.

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%

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

Branex Resources, Inc.

P. O. Box 2328

Roswell, New Mexico 88202

Telephone: Facsimile:

|  | who has prepared and circulated this form for execution, represents and warr. |
|--|---|
|  | the exception(s) listed below, is identical to the AAPL form 610RS-1989 Mc    |
|  | Agreement and Financing Statement, as published in computerized form          |
|  | tions, or modifications, other than those made by strikethrough and or insert |
| and that are clearly recognizable as changes | in Articles nave been made to the fo  |
|  |   |
| IN WITNESS WHEREOF this agreement s          | shall be effective as of the 20th day of April                                |
| .car <u>2002</u> .                           |   |
| ATTEST OR WITNESS:                           | OPERATOR  |
| TITEST ON ATTACASA                           | OF ERATOR   |
|  |   |
|  | TMBR Sharp Drillling, Inc.  |
|  | By  |
|  | Type or Print Name  |
|  | Title Jeffery D. Phillips, President  |
|  |   |
|  | Address: P O Box 10970, Midland, Texas 79702-7970                             |
|  |   |
| ATTEST OR WITNESS:                           | NON-OPERATORS   |
|  |   |
|  | D   |
|  | Branex Resources, Inc.  |
|  | By  |
|  | Type or Print Name  |
|  | Fitte:  |
|  | DateAddress   |
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|  | Little  |
|  | Title:  |

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%

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

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

#### ARTICLE AVI. MISCELLANEOUS

| :        |  |                   |                  |                     |            |            |
|----------|--|-------------------|------------------|---------------------|------------|------------|
| 1        | This agreement snall be binding upon and shall inure to the b  | enetit of the pa  | rties hereto an  | d to their respec   | tive heirs | . devisees |
| \$       | legal representatives, successors and assigns  |                   |                  |                     |            |            |
| *1       |  |                   |                  |                     |            |            |
| -        | This instrument may be executed in any number of counterparts, e   | each of which sha | ali be considere | d an original for . | ail purpos | cs.        |
| ×        |  |                   |                  |                     |            |            |
| 14       | IN WHINESS WHEREOF, this agreement shall be effective as of  | 201h              | cay of           | April               | vear .     | 2002       |
| 10       |  |                   | ,                |                     |            |            |
| 11       | who has prepared and cir   |                   |                  |                     |            |            |
| 12       | was printed from and with the exception usted below, is identical to published in diskette form by Forms On A Disk, Inc. No changes, ultered |                   |                  |                     |            |            |
| 14       | Published in diskette form by Forms vin . 1975k. inc. 190 changes, and the   |                   |                  | nave be             |            |            |
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| 18       |  | TMBR/SI           | IARP DRILLI      | NG, INC.            |            |            |
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| 21       |  | Ву:               |                  |                     |            |            |
| 22       |  |                   | Jeffrey D. Phi   | llips, President    |            |            |
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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:

TMBR/Sharp Drilling, Inc. 99.84375%

Robert M. Edsel 0..15625%

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

| u   | no has prepared and circulated this form for execution, represents and warra   |
|---|--|
|   | exceptionics) listed below, is identical to the AAPL Form 610RS-1989 Mo  |
|   | Agreement and Financing Statement, as published in computerized form   |
| Forms On A Disk, Inc. No changes, atteration    | ns, or modifications, other than those made by strikethrough and or insert   |
| and that are clearly recognizable as changes in | Articles have been made to the fo  |
|   |  |
| N. M. P. C. C. M. M. P. C. C.                   |  |
| IN WITNESS WHEREOF, this agreement sha          | Il be effective as of the 20th day of April  |
| 100 <u>2002</u>                                 |  |
| AFTEST OR WITNESS:                              | OPERATOR   |
|   |  |
|   |  |
|   | TMBR Sharp Drillling, Inc.   |
|   |  |
|   |  |
|   | Type or Print Name Title   |
|   |  |
|   | Address P O Box 10970, Viidland, Texas 79702-7970  |
|   |  |
|   |  |
| ATTEST OR WITNESS:                              | NON-OPERATORS  |
|   |  |
|   |  |
|   |  |
|   | Ву   |
|   | Type or Print Name   |
|   | Title:-Robert M. Edsel   |
|   | Date   |
|   | Address:   |
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| ATTEST OR WITNESS:                              |  |
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| ATTEST OR WIINESS:                              | Type or Print Name  Title Date Address.  By Type or Print Name   |
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|   | By Type or Print Name Title Date Address.  By Type or Print Name Title: Date: Address Address  |
|   | By Type or Print Name  Title Date Address.  By Type or Print Name  Title: Date: Address  |
| ATTEST OR WITNESS:                              | By Type or Print Name Title Date Address.  By Type or Print Name Title: Date: Address: Address: Address: Address: Date: Address: Date: Address: Date: Date: Address: Date: Dat |
| Aftest or witness:                              | Type or Print Name  Title  |
| ATTEST OR WITNESS:                              | By Type or Print Name Title Date Address.  By Type or Print Name Title: Date: Address  By Type or Print Name Title: Type or Print Name Title: Type or Print Name   |

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%

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

|     | U.S. Postal Servi<br>CERTIFIED: M<br>(Domestic Mail | AILF    |         | &-<br>ce Coverage Provided)  |
|-----|---|---------|---------|------------------------------|
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| 530 | ROSWELL, N  | M 882   | 202     |                              |
| m   | Postage   | ŝ       | 3.10    | UNIT ID: 0708                |
| 700 | Certified Fee                                       |         | 2.10    |                              |
| 20  | Return Receipt Fee<br>(Endorsement Required)        |         | 1.50    | Postmark<br>Here             |
|     | Restricted Delivery Fee (Endorsement Required)      |         |         | Clerk: KHGFOG                |
| _   | Total Postage & Fees                                | \$      | 6.70    | 05/04/02                     |
| 046 | Sent To   | arle    | , Inc.  |                              |
| 입   | Street. Apt. No.:<br>or PO Box No. P                | . 0.    | Box 260 | 8                            |
| 70  |   |         | 11, NM  | 88202-2608                   |
| i   | PS Form 3800, Janua                                 | ry 2001 |         | See Reverse for Instructions |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |  |  |  |
|--|--|--|--|--|
| <ul> <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> | A. Signature  A. Agent  A. 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 |  |  |  |
| 1. Article Addressed to:  HARLE, INC. P. O. BOX 2608   |  |  |  |  |
| ROSWELL, NM 88202-2608   | 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 labe) 7002 0460 00  | 02 0073 5301   |  |  |  |



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.

-11-03-19

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. Høpkins, CPL

Land Manager

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

|  | who has prepared and circulated this form for execution, represents and war                           |
|--|---|
|  | e exceptionist risted below, is identical to the AAPL Form bluRS-1989 A                               |
|  | Ngreement and Linancing Statement, as minished in computerized form                                   |
|  | ions, or modifications, other than those made by strikethrough and or inse                            |
| na viis- are crearly rectignizative as changes i | m Anteres make been made to the I   |
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|  | hail be effective as of the 20th day of April   |
| w <u>2002</u>                                    |   |
| TTEST OR WITNESS:                                | OPERATOR  |
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|  | TMBR Sharp Drilling, Inc.   |
|  | ( vibit Sharp Diming, inc.  |
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|  | Type or Print Name  |
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|  | Address P O Box 10970, Midland, Texas 79702-7970  |
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| ATTEST OR WITNESS:                               | Type or Print Name Tide:  |

| STATE OF TEXAS SCOUNTY OF MIDLAND SCOUNTY   |   |
|---|---|
|   | efore me on the 20 <sup>th</sup> day of April, 2002 by Jeffrey D. inc., a Texas corporation, on behalf of said corporation. |
|   | Notary Public. State of Printed Name: Commission Expires:   |
| STATE OF COUNTY | nd,   |
| - Down & House  | perfore me on the day of  |
| Of He   | . a   |
| New MAXICO corporation, on b  | ehalf of said corporation.  |
| OFFICIAL SEAL  AMY M. MCREYNOLDS  NOTARY PUBLIC-OREGON  COMMISSION NO 340390  MY COMMISSION EXPRES NOV 15 2004  | Notary Public, State of Steepholds Printed Name: Arry M. M. Reynolds Commission Expires: 115 2004                           |
| STATE OF SCOUNTY OF STATE OF   |   |
|   | before me on theday of2002 by   |
|   |   |
| ofcorporation. on b   | pehalf of said corporation.   |
| STATE OF  | Notary Public. State of   |
| This instrument was acknowledged  | before me on theday of2002 by   |
|   | Notary Public, State of Printed Name: Commission Expires:   |
| STATE OF § COUNTY OF §  |   |
| This instrument was acknowledged  | before me on theday of2002 by   |
|   | <del></del>   |

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

# ARTICLE XVI. MISCELLANEOUS

| ;        | HISCLE LA   | A COUS   |
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|          | F   |  |
|          |   | enerit, 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, ec        | uch of which shall be considered an original for all purposes          |
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| ,        | NWITNESS WHEREOF, this agreement shall be effective as of               |  |
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| iт       | who has prepared and enri   | curaced this form for execution, represents and warrants that the form |
| 12       | was printed from and with the exception listed below, is identical to   | the AAPL Form 619 1982 Model Form Operating Agreement, as              |
| 13       | published in diskette form by Forms On A Disk, Inc. No changes, ulteral | tions, or modifications, other than those in Articles                  |
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| 22       |   | By:  Jeffrey D. Phillips, President                                    |
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| 33       | Printed Name:   | Printed Name: David S. Horle   |
| 34       | Printed Title:  | Printed Title:   |
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| BR/Sharp Drilling, in  | Notary Public, State of Printed Name:  Commission Expires: | oration.                          |
|--|--|-----------------------------------|
|  | Printed Name:  |                                   |
|  | Printed Name:  |                                   |
|  | Commission Expires:  | <del></del>                       |
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| ~~~~   | March Al 18 Francis  |                                   |
| une (  | Notary Public. State of Ocean                              |                                   |
| ON 3   | Printed Name: Amy M McRey                                  | <u> </u>                          |
| /90 /∯<br>5, 2654 (  | Commission Expires: 1115 3004                              |                                   |
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| was acknowledged be  | Frore me on theaay of20                                    | J02 Uy                            |
|  | was acknowledged be of                                     | was acknowledged before me on the |

| TMBR/ Sharp Drilling, INC. AUTHORIZATION FOR EXPENDITURE   |  |  | AFE Number = 1 23-A  |   |
|--|--|--|--|---|
| AU .   | State State  | County Parish                              | Well No.1.   |   |
| 25   | New Mexico   | Lea Lea                                    | 1913 TNL & 924 FWL . Sec. 25, T168.  | R 35E   |
|  |  | C <b>OST</b> TO                            | COMPLETION   | TOTAL   |
|  | GIBLE DESCRIPTION  | CASING POINT                               | COST   | WELL COST   |
| Surveys Permits E  |  | 1200                                       |  | 1,200   |
| Roads Location Dan   | nages  | 30000                                      |  | 30.000  |
| Mob demon  |  | 27000                                      | ļ.   | 27.000  |
| Drilling Contract-   | . \$8\$30 Jun  | 100440                                     | 25.560   | 126,000   |
|  | it \$8320 day.   | 400440                                     | 25.560   | 426.000   |
| Footage  | 15 days At \$ 2000 day   | }- <del></del>                             | 30.000   | 30.000  |
| Mud Chemicals  | 12 days At S 2000 day  | 35000                                      | 30.000   | +   |
| Water  |  | 18000                                      | 3 000  | 35,000  |
| Cement/Cementing   | Services   | 20000                                      | 36.000   | 21,000<br>56,000  |
| Fuel/Electricity/Gen   |  | 28200                                      | 1.800  | 30.000  |
| Bits   | iciator rigita   | 65000                                      |  | 65,000  |
| Reamers/ stabilizers   |  | 15000                                      |  | 15.000  |
| Service Equipment  |  | 2000                                       | 5.000  | 7,000   |
| Equipment rentals  |  | 10000                                      | 35.000   | 45,000  |
| Wire line Unit   |  | 1,5000                                     | 33.33  | -0,000  |
| Mud Logging/Paleo  | Bioassav   | 18000                                      | <del>                                     </del>   | 18,000  |
| Open Hole Logging  | •  | 25000                                      | 25.000   | 50,000  |
| Drill Stem Testing a   |  | 20000                                      |  | 20.000  |
| Tubular inspection   | •  | 3000                                       | 1,500  | 4,500   |
| Transportation (land   | _  | 3000                                       | 2,000  | 5,000   |
| 2 Equipment inspection   | on/testing   | 2500                                       | 2,000  | 4,500   |
| Casing Crews/Tong  | •  | 4500                                       | 5,000  | 9,500   |
| Drilling Overhead  |  | 6500                                       | 1.500  | 8.000   |
| 5 Supervision  |  | 2750                                       | 5,500  | 8.250   |
| 6 Cased Hole Logging   | g & Perf   |  | 5.500  | 5,500   |
| ? Stimulation  | -  |  | 100,000  | 100,000   |
| 8 Production Testing   |  |  | 10,000   | 10,000  |
| 9 Completion Fluids  |  |  | 2,500  | 2,500   |
| Fishing Tools, Supe  | ervisor  | 5000                                       |  | 5,000   |
| 1 Contract labor   |  | 2500                                       | 3.000  | 5,500   |
| 2 Insurance  |  | 8756                                       | 2,919  | 11,675  |
| 3 Plug and Abandon   |  | 15000                                      |  | 15,000  |
| 10   |  | 53784                                      | 21195  | \$74.979  |
|  |  |  | \$323.974  | \$1,146,104   |
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| AL INTANGIBLE ES   |  | \$822.130                                  |  | 1   |
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| AL INTANGIBLE ES<br>GIBLE DESCRIPTIO<br>5 6 500° of 13 3/8° 54.5 @   | Conductor @15.50/FT Surface Casing   | 7,750                                      |  | 7.750   |
| AL INTANGIBLE ES<br>GIBLE DESCRIPTIO<br>5<br>6 500° of 13 3/8° 54.5 @  | Conductor @15.50/FT Surface Casing @13.00/FT Intermediate Csg  |  |  | 7,750<br>65,000   |
| AL INTANGIBLE ES<br>GIBLE DESCRIPTIO<br>5<br>6 500° of 13 3/8" 54.5 @<br>7 5000° of 9 5/8" 40# @<br>8  | Conductor  @15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermediate Csg   | 7,750                                      |  | <del></del>   |
| AL INTANGIBLE ES<br>GIBLE DESCRIPTIO<br>5<br>6 500° of 13 3/8" 54.5 6<br>7 5000° of 9 5/8" 40# @<br>8  | Conductor  @15.50/FT Surface Casing @13.00/FT Intermediate Csg Intermediate Csg Intermediate Csg   | 7,750                                      |  | 65,000  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500° of 13 3/8° 54.5 6 7 5000° of 9 5/8° 40# @ 8 9 0 12.500° of 7° 26# @   | Conductor  @15.50/FT Surface Casing @13.00/FT Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Production Csg  | 7,750                                      | 143.750  | 65,000<br>143,750   |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500' of 13 3/8" 54.5 6 7 5000' of 9 5/8" 40# @ 8 9 0 12.500' of 7" 26# @ 1 1500' of 4 1-2" 11 60# 6  | Conductor  @15.50/FT Surface Casing Intermediate Csg Inte | 7,750                                      | 8,625  | 65,000<br>143,750<br>8,625  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500° of 13 3/8" 54.5 6 7 5000° of 9 5/8" 40# @ 8 9 0 12.500° of 7" 26# @ 1 1500° of 4 1-2" 11 60# 6 2 13800° of 2 7/8" 6 50  | Conductor  @ 15.50/FT Surface Casing g 13.00/FT Intermediate Csg Intermediate Tsg Intermedi | 7,750                                      |  | 65,000<br>143,750   |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500° of 13 3/8" 54.5 (6 7 5000° of 9 5/8" 40# @ 8 9 0 12.500° of 7" 26# @ 1 1500° of 4 1.2" 11.60# (6 1 13800° of 2 7/8" 6.50  | Conductor  @ 15.50/FT Surface Casing Intermediate Csg Intermediate Tsg Int | 7,750                                      | 8,625  | 65,000<br>143,750<br>8,625  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500° of 13 3/8" 54.5 (6 7 5000° of 9 5/8" 40# (6 8 9 0 12.500° of 7" 26# (2) 1 1500° of 4 1.2" 11.60# (6 1 13800° of 2 7/8" 6.50   | Conductor  @15.50/FT Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Tsg Inte | 7,750<br>65,000                            | 8,625<br>44,160  | 65,000<br>143,750<br>8.625<br>44,160  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 5 5 5 5 5 5 5 7 5 5 7 5 5 8 9 1 12.500' of 7* 26# @ 1500' of 4 1.2" 11.60# 6 2 13800' of 2 7/8" 6.50 3 4 Wellhead Equipmen   | Conductor  @15.50/FT Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Tsg Inte | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000   | 65,000<br>143,750<br>8.625<br>44,160  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 5 5 5 5 5 5 5 5 7 5 5 7 5 5 8 9 1 12.500' of 7* 26# @ 1500' of 4 1-2* 11.60# a 2 13800' of 2 7/8* 6.50  Wellhead Equipment 6 Float Equipment   | Conductor  @15.50/FT Surface Casing Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Tsg Inte | 7,750<br>65,000                            | 8,625<br>44,160<br>9,000<br>7,000  | 143,750<br>8.625<br>44,160<br>13,200<br>11,000  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 5 5 5 5 5 5 5 5 5 6 5 7 5 5 7 5 5 7 7 5 7 7 12.500° of 7° 26# @ 1 1500° of 4 1.2" 11.60# a 2 13800° of 2 7/8" 6.50 3 4 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 7 7 7 1 6 7 1 6 7 1 7 1   | Conductor  @ 15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Csg Intermediate Tsg Intermedi | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000   | 65,000<br>143,750<br>8.625<br>44,160  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500° of 13 3/8" 54.5 6 7 5000° of 9 5/8" 40# @ 8 9 0 12.500° of 7" 26# @ 1 1500° of 4 1-2" 11.60# a 2 13800° of 2 7/8" 6.50 3 4 5 Wellhead Equipment 7 Liner Equipment 7 Unit / Bas  | Conductor  @ 15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermedi | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000<br>7,000  | 143,750<br>8.625<br>44,160<br>13,200<br>11,000  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 5 5 5 5 5 5 5 5 5 6 7 5 5 6 7 5 6 7 5 7 6 7 7 7 7  | Conductor  Q 15.50/FT Surface Casing Q 13.00/FT Intermediate Csg Intermedi | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000<br>7,000<br>12,000  | 143,750<br>8.625<br>44.160<br>13,200<br>11,000  |
| LINTANGIBLE ES GIBLE DESCRIPTIO  5 500° of 13 3/8° 54.5 (6)  5 500° of 9 5/8° 40# (6)  12.500° of 7° 26# (2)  1500° of 4 1.2° 11.60# (2)  13800° of 2 7/8° 6.50  Wellhead Equipment  Float Equipment  Pumping Unit / Bas  Sucker rods. Polisho  Producing Equipme  | Conductor  @ 15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermedi | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000<br>7,000<br>12,000  | 143,750<br>8.625<br>44.160<br>13,200<br>11,000<br>12,000  |
| LINTANGIBLE ES  SIBLE DESCRIPTIO  500° of 13 3/8° 54.5 (a)  5000° of 9 5/8° 40# (a)  12.500° of 7° 26# (a)  1500° of 4 1.2° 11.60# (a)  13800° of 2 7/8° 6.50  Wellhead Equipment  Liner Equipment  Pumping Unit / Bas  Sucker rods. Polish  Producing Equipme  Flowlines. Vavles, I   | Conductor  @ 15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermedi | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000                             | 143,750<br>8.625<br>44.160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000                                       |
| AL INTANGIBLE ES GIBLE DESCRIPTIO  5 5 500° of 13 3/8° 54.5 6 7 5000° of 9 5/8° 40# 6 8 12.500° of 7° 26# @ 112.500° of 7° 26# @ 113800° of 2 7/8° 6.50 8 Wellhead Equipment 9 Liner Equipment 9 Liner Equipment 9 Pumping Unit / Bas 9 Sucker rods. Polish 10 Producing Equipme 11 Flowlines. Vavles, 12 12 Packers & Other Su 13 500° of 2 7/8° 6.50 14 500° of 2 7/8° 6.50 15 6.50 16 7 8 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 | Conductor  @ 15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermedi | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000<br>7,000<br>12,000  | 143,750<br>8.625<br>44.160<br>13,200<br>11,000<br>12,000  |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 500' of 13 3/8" 54.5 6 7 7 7 7 7 7 8 9 12 500' of 7" 26# @ 1500' of 4 1.2" 11.60# 6 13800' of 2 7/8" 6.50  Wellhead Equipment 7 Liner Equipment 8 9 12 Wellhead Equipment 9 13 Sucker rods. Polish 14 Producing Equipme 15 Producing Equipme 16 Flowlines. Vavles, 1 17 18 19 19 20 21 22 22 23 24 25 26 26 27 28 28 29 20 20 20 20 20 20 20 20 20 20 20 20 20                             | Conductor  @ 15.50/FT Surface Casing Intermediate Csg Int | 7,750<br>65,000<br>4,200                   | 8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500                    | 143,750<br>8.625<br>44.160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500                              |
| AL INTANGIBLE ES GIBLE DESCRIPTIO 5 6 6 500° of 13 3/8° 54.5 6 7 5000° of 9 5/8° 40# @ 8 8 9 12.500° of 7° 25# @ 1500° of 4 1-2° 11 60# 6 13800° of 2 7/8° 6.50 3 4 Wellhead Equipment 7 Liner Equipment 8 Pumping Unit / Bas 9 Sucker rods, Polish 0 Producing Equipme 1 Flowlines, Vavles, 1 2 Packers & Other Su 3 Compressor 4 Miscelaneous Sale   | Conductor  @ 15.50/FT Surface Casing Intermediate Csg Int | 7,750<br>65,000<br>4,200<br>4,000          | 8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500                    | 65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000           |
| 7 5000 of 9 5/8" 40# @ 8 9 0 12.500 of 7" 26# @ 1 1500 of 4 1.2" 11.60# 6 2 13800 of 2 7/8" 6.50 3  4  Wellhead Equipment Plant Equipment Pumping Unit / Bas 9 Sucker rods. Polishe 10 Producing Equipment 11 Flowlines. Vavles, 1 12 Packers & Other Su 13 Compressor 14 Miscelaneous Sale 1 15 Contingency (7%)  | Conductor  @ 15.50/FT Surface Casing   | 7,750<br>65,000<br>4,200<br>4,000<br>5,667 | 8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000<br>21,282 | 65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000<br>26,949 |
| AL INTANGIBLE ES GIBLE DESCRIPTIO  5 5 5 5 500° of 13 3/8° 54.5 6 7 5000° of 9 5/8° 40# @ 8 11 500° of 4 1-2" 11.60# 0 2 13800° of 2 7/8° 6.50  4 Wellhead Equipment 7 Liner Equipment 8 Pumping Unit / Bas 9 Sucker rods. Polish 10 Producing Equipme 1 Flowlines. Vavles, 1 2 Packers & Other Su 1 Compressor 1 Miscelaneous Sale  | Conductor  @ 15.50/FT Surface Casing @ 13.00/FT Intermediate Csg Intermedi | 7,750<br>65,000<br>4,200<br>4,000          | 8,625<br>44,160<br>9,000<br>7,000<br>12,000<br>60,000<br>8,000<br>6,500                    | 65,000<br>143,750<br>8,625<br>44,160<br>13,200<br>11,000<br>12,000<br>60,000<br>8,000<br>6,500<br>5,000           |