

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 wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

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

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

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

By: _____
Name: _____
Title: _____

TMBR/Sharp



Drilling, Inc.

Drawer 10970
Midland, Texas 79702-7970
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

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

rec'd 6/27/02

ARTER CASTEEL

BARRON CASTEEL

June 27, 2002

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

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

Dear Ms. Hopkins:

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

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

Sincerely,


CARTER CASTEEL

cc: Our File

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

7002 0460 0002 0073 5332

NEW BRAUNFELS, TX 78130

Postage	\$ 3.10
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.70

UNIT ID: 0708

Postmark
Here

Clerk: KHGF06

05/04/02

Sent To
 Robert J. Bullock, Sr.
 Street, Apt. No.,
 or PO Box No. 245 South Seguin
 City, State, ZIP+4
 New Braunfels, TX 78139-5124

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

ROBERT J. BULLOCK, SR.
 c/o CARTER CASTELL
 245 SOUTH SEGUIN
 NEW BRAUNFELS, TX 78139-5124

COMPLETE THIS SECTION ON DELIVERY

A. Signature
[Signature] ☐ Agent ☐ Addressee
 B. Received by (Printed Name) *Jennifer Gonzalez* C. Date of Delivery *5-7-02*
 D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
 4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
 (Transfer from service label)

7002 0460 0002 0073 5332

EXHIBIT "A"

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

A. Lands subject to this Agreement:

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

Lea County, New Mexico

B. Restrictions as to depth:

None

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

TMBR/Sharp Drilling, Inc.	99.10716%
Robert J. Bullock, Sr., Trustee	0.89284%
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:

8. Other provisions:

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

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

ATTEST OR WITNESS:

OPERATOR

IMBR Sharp Drilling, Inc.

By: _____

Type or Print Name

Title: Jeffery D. Phillips, President

Date: _____

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

ATTEST OR WITNESS:

NON-OPERATORS

By: _____

Type or Print Name

Title: Robert J. Bullock, Sr., Trustee

Date: _____

Address: _____

ATTEST OR WITNESS:

By: _____

Type or Print Name

Title: _____

Date: _____

Address: _____

ATTEST OR WITNESS:

By: _____

Type or Print Name

Title: _____

Date: _____

Address: _____

ATTEST OR WITNESS:

By: _____

Type or Print Name

Title: _____

Date: _____

Address: _____

EXHIBIT "A"

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

Lands subject to this Agreement:

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

Lea County, New Mexico

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

TMBR/Sharp Drilling, Inc.	99.10716%
Robert J. Bullock, Sr., Trustee f/b/o Robert J. Bullock, Jr.	0.89284%
Total:	100.00000%

Addresses of the parties to this Agreement:

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

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

ARTICLE XVI
MISCELLANEOUS

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

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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

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

OPERATOR

TMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

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

By: _____
Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

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

7002 0460 0002 0073 5325

OKLAHOMA CITY, OK 73154

Postage	\$ 3.50
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 7.10

UNIT ID: 0708

Postmark
Here

Clerk: KHGFOG

05/04/02

Sent To

Chesapeake Energy Corp.

Street, Apt. No.;

or PO Box No. P. O. Box 18496

City, State, ZIP+4

OKLAHOMA CITY, OK 73154-0496

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

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

2. Article Number
(Transfer from service label)

7002 0460 0002 0073 5325

COMPLETE THIS SECTION ON DELIVERY

A. Signature

BRIAN IMES

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

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

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes



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

A handwritten signature in black ink, appearing to read "Sara L. Caldwell".

Sara L. Caldwell
Land Tech

Enclosure

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

TMBR/ Sharp Drilling, INC.
AUTHORIZATION FOR EXPENDITURE

AFE Number: 1 Date: 23-Apr-02

Well No. 1

Well Name: 211125 State: New Mexico County: Paria Location: 1913' FNL & 924' FWL Sec. 25, T16S, R 35E

ACT Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST
1	Surveys, Permits, Bonds	1200		1,200
2	Roads Location Damages	30000		30,000
3	Mud demo	27000		27,000
4	Drilling Contract:			
5	Day work 50 days At \$5520 / day	400440	25,560	426,000
6	Footage			
7	Completion Unit: 15 days At \$ 2000 / day		30,000	30,000
8	Mud/Chemicals	35000		35,000
9	Water	18000	3,000	21,000
10	Cement/Cementing Services	20000	36,000	56,000
11	Fuel/Electricity/Generator/lights	28200	1,800	30,000
12	Bits	65000		65,000
13	Reamers, stabilizers	15000		15,000
14	Service Equipment	2000	5,000	7,000
15	Equipment rentals	10000	35,000	45,000
16	Wire line Unit			
17	Mud Logging/Paleo/Bioassay	18000		18,000
18	Open Hole Logging	25000	25,000	50,000
19	Drill Stem Testing and coring	20000		20,000
20	Tubular Inspection/Testing	3000	1,500	4,500
21	Transportation (land)	3000	2,000	5,000
22	Equipment inspection/testing	2500	2,000	4,500
23	Casing Crews/Tongs	4500	5,000	9,500
24	Drilling Overhead	3500	1,500	8,000
25	Supervision	2750	5,500	8,250
26	Cased Hole Logging & Perf		5,500	5,500
27	Stimulation		100,000	100,000
28	Production Testing		10,000	10,000
29	Completion Fluids		2,500	2,500
30	Fishing Tools, Supervisor	5000		5,000
31	Contract labor	2500	3,000	5,500
32	Insurance	8756	2,919	11,675
33	Plug and Abandon	15000		15,000
34	Contingency (7%)	53784	21195	\$74,979
TOTAL INTANGIBLE ESTIMATED COST		\$822,130	\$323,974	\$1,146,104

TANGIBLE DESCRIPTION				
35	Conductor			
36	500' of 13 3/8" 54.5 @ 15.50/FT	Surface Casing	7,750	7,750
37	5000' of 9 5/8" 40# @ 13.00/FT	Intermediate Csg	65,000	65,000
38		Intermediate Csg		
39		Intermediate Csg		
40	12,500' of 7" 26# @ 11.50/FT	Production Csg	143,750	143,750
41	1500' of 4 1/2" 11.60# @ 5.75/ft	Liner	8,625	8,625
42	13800' of 2 7/8" 8.50# @ 3.20/FT	Tubing	44,160	44,160
43		Tubing		
44		Tubing		
45	Wellhead Equipment	4,200	9,000	13,200
46	Float Equipment	4,000	7,000	11,000
47	Liner Equipment		12,000	12,000
48	Pumping Unit / Base / Engine			
49	Sucker rods, Polished Rods			
50	Producing Equipment, Tank Battery, Flowline		60,000	60,000
51	Flowlines, Vavies, Fittings/Connections		8,000	8,000
52	Packers & Other Subsurface Tools		6,500	6,500
53	Compressor			
54	Miscellaneous Sale Items		5,000	5,000
55	Contingency (7%)	5,667	21,282	26,949
TOTAL TANGIBLE ESTIMATED COST		\$86,617	\$325,317	\$411,934
TOTAL AFE ESTIMATED COST		\$908,747	\$649,291	\$1,558,038

APPROVAL AND ACCEPTANCE

Participant Chesapeake Operating, Inc.

W.I. 0.7031%

Title Aubrey K. McClendon, CEO

Signature 

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT.

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

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

Date May 15, 2002

TMBR/Sharp



Drawer 10970
Midland, Texas 79702-7970
409-699-5050

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, completing, stimulation and equipping of the Well.

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

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

Chesapeake Energy Corp.

May 3, 2002


Page Two

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

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

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

AGREED AND ACCEPTED THIS 15th DAY OF May, 2002,
for participation in the Well for the 0.7031% ownership vested in Chesapeake ~~Energy Corp.~~
Operating, Inc.

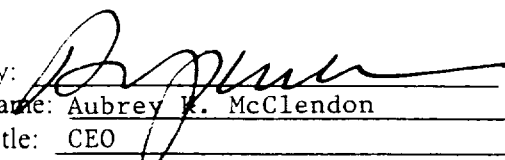
By: 
Name: Aubrey K. McClendon
Title: CEO

EXHIBIT "A"

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

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

ARTICLE VIII
continued

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

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

~~D. Maintenance of Uniform Interests:~~

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

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

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

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

E. Waiver of Rights to Partition:

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

~~F. Preferential Right to Purchase:~~

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

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

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

ARTICLE XVI.
MISCELLANEOUS

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

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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

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

OPERATOR

TMBRSHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

Printed Name: _____
Printed Title: _____

MYCO INDUSTRIES, INC.

By: _____
Printed Name: _____
Printed Title: _____

ABO PETROLEUM CORP

Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

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

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

By: _____
Printed Name: _____
Printed Title: _____

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 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 _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

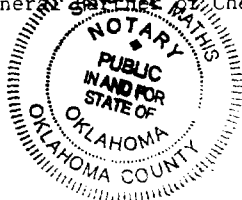
STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF OKLAHOMA §
COUNTY OF OKLAHOMA §

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



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

Exploration Limited
~~Chesapeake Energy Corp.~~ Partnership

By: _____

Type or Print Name

Title: Henry J. Hood, Senior Vice President -

~~Date:~~ Land and Legal of Chesapeake Operating,
~~Address:~~ Inc., General Partner of Chesapeake
Exploration Limited Partnership

Date: May 21, 2002

Address: P.O. Box 18496
Oklahoma City, OK 73154-0496

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 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 _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

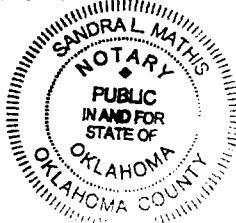
STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF OKLAHOMA §
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on the 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.



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


EXHIBIT "D"

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

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

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

2. The insurance described in 1. above shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement.

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

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

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

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

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

ARTESIA, NM 88210

Postage	\$ 3.50
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 7.10

UNIT ID: 0708

Postmark
Here

Clerk: KHGF06

05/04/02

Sent To

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

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

**YATES PETROLEUM CORP ETAL
105 SOUTH 4TH STREET
ARTESIA, NM 88210**

2. Article Number

(Transfer from service label)

7002 0460 0002 0073 5288

PS Form 3811, August 2001

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name) MAY 6 2002 Date of Delivery

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

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

102595-01-M-2509



105 South Fourth Street
Artesia, NM 88210

June 21, 2002

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

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

Gentlemen:

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

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

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

Robert Bullock
Landman

RB:bn
enclosure(s)

TMBR/Sharp



Drawer 10970
Midland, Texas 79702-7970
409-699-5050

May 3, 2002

CERTIFIED MAIL/RRR

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

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

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

Gentlemen:

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

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

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


Yates Petroleum Corporation et al
May 3, 2002
Page Two

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

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

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

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

By: _____
Name: _____
Title: _____

EXHIBIT "A"

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

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

TMBR/ Sharp Drilling, INC.			AFE Number	# 1	23-Apr-02
AUTHORIZATION FOR EXPENDITURE			Well No. 1.		
se Name	State	County/Parish	Location:		
# Fin 25	New Mexico	Lea	1913' FNL & 924' FWL, Sec. 25, T16S, R 35E		
Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST	
1	Surveys Permits / Bonds	1200		1,200	
2	Roads Location/Damages	30000		30,000	
3	Mob: demob	27000		27,000	
4	Drilling Contract-				
5	Daywork 50days At \$8520 /day	400440	25,560	426,000	
6	Footage				
7	Completion Unit: 15 days At \$ 2000 /day		30,000	30,000	
8	Mud/Chemicals	35000		35,000	
9	Water	18000	3,000	21,000	
10	Cement/Cementing Services	20000	36,000	56,000	
11	Fuel/Electricity/Generator/Lights	28200	1,800	30,000	
12	Bits	65000		65,000	
13	Reamers/ stabilizers	15000		15,000	
14	Service Equipment	2000	5,000	7,000	
15	Equipment rentals	10000	35,000	45,000	
16	Wire line Unit				
17	Mud Logging/Paleo/Bioassay	18000		18,000	
18	Open Hole Logging	25000	25,000	50,000	
19	Drill Stem Testing and coring	20000		20,000	
20	Tubular Inspection/Testing	3000	1,500	4,500	
21	Transportation (land)	3000	2,000	5,000	
22	Equipment inspection/testing	2500	2,000	4,500	
23	Casing Crews/Tongs	4500	5,000	9,500	
24	Drilling Overhead	6500	1,500	8,000	
25	Supervision	2750	5,500	8,250	
26	Cased Hole Logging & Perf		5,500	5,500	
27	Stimulation		100,000	100,000	
28	Production Testing		10,000	10,000	
29	Completion Fluids		2,500	2,500	
30	Fishing Tools, Supervisor	5000		5,000	
31	Contract labor	2500	3,000	5,500	
32	Insurance	8756	2,919	11,675	
33	Plug and Abandon	15000		15,000	
34	Contingency (7%)	53784	21195	\$74,979	
TOTAL INTANGIBLE ESTIMATED COST		\$822,130	\$323,974	\$1,146,104	
TANGIBLE DESCRIPTION					
35	Conductor				
36	500' of 13 3/8" 54.5 @ 15.50/FT	Surface Casing	7,750	7,750	
37	5000' of 9 5/8" 40# @ 13.00/FT	Intermediate Csg	65,000	65,000	
38		Intermediate Csg			
39		Intermediate Csg			
40	12 500' of 7" 26# @ 11.50/FT	Production Csg	143,750	143,750	
41	1500' of 4 1/2" 11.60# @ 5.75/ft.	Liner	8,625	8,625	
42	13800' of 2 7/8" 6.50# @ 3.20/FT	Tubing	44,160	44,160	
43		Tubing			
44		Tubing			
45	Wellhead Equipment	4,200	9,000	13,200	
46	Float Equipment	4,000	7,000	11,000	
47	Liner Equipment		12,000	12,000	
48	Pumping Unit / Base / Engine				
49	Sucker rods, Polished Rods				
50	Producing Equipment, Tank Battery, Flowline		60,000	60,000	
51	Flowlines, Vavles, Fittings/Connections		8,000	8,000	
52	Packers & Other Subsurface Tools		6,500	6,500	
53	Compressor				
54	Miscellaneous Sale Items		5,000	5,000	
55	Contingency (7%)	5,667	21,282	26,949	
TOTAL TANGIBLE ESTIMATED COST		\$86,617	\$325,317	\$411,934	
TOTAL AFE ESTIMATED COST		\$908,747	\$649,291	\$1,558,038	

PROVAL AND ACCEPTANCE

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL

s Petroleum Corporation

0.054687%

Abo Petroleum Corporation

0.007813%

[Signature]

Date: 6-20-02

By: *[Signature]*

Date: 6-20-02

s Drilling Company

0.007813%

Myco Industries, Inc.

0.007813%

[Signature]

Date: 6-20-02

By: *[Signature]*

Date: 6-20-02

EXHIBIT "A"

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

Lands subject to this Agreement:

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

Lea County, New Mexico

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

TMBR/Sharp Drilling, Inc.	98.51562%
Chesapeake Energy Corp.	0.70312%
Yates Petroleum Corporation	0.54687%
Yates Drilling Company	0.07813%
MYCO Industries, Inc.	0.07813%
Abo Petroleum Corp.	0.07813%
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 4th Street
Artesia, New Mexico 88210-2122

STATE OF TEXAS
COUNTY OF MIDLAND

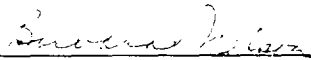
This instrument was acknowledged before me on the 20th day of April, 2002 by Jeffrey D. Phillips, President of TMBR/Sharp Drilling, Inc., a Texas corporation, on behalf of said corporation.

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF 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

8 Other provisions

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

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

ATTEST OR WITNESS:

OPERATOR

EMBR Sharp Drilling, Inc.

By: _____

Type or Print Name

Title: Jeffery D. Phillips, President

Date: _____

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

ATTEST OR WITNESS:

NON-OPERATORS

Yates Petroleum Corporation *BR*By: *Rayton Yates*

Type or Print Name

Title: Attorney-in-FactDate: 4-26-02Address: 25 South 4th, Fort Worth, TX 76102

ATTEST OR WITNESS:

Yates Drilling Company

By: *Rayton Yates*

Type or Print Name

Title: Attorney-in-FactDate: 4-26-02Address: 25 South 4th, Fort Worth, TX 76102

ATTEST OR WITNESS:

MYCO Industries, Inc.

By: *Frank Yates Jr.*

Type or Print Name

Title: Attorney-in-FactDate: 4-26-02Address: 25 South 4th, Fort Worth, TX 76102

ATTEST OR WITNESS:

Abo Petroleum Corp.

By: *John A. Yates Jr.*

Type or Print Name

Title: Attorney-in-FactDate: 4-26-02Address: 25 South 4th, Fort Worth, TX 76102

ARTICLE XVI
MISCELLANEOUS

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

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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

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

OPERATOR

TMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

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

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

MYCO INDUSTRIES, INC.

ABO PETROLEUM CORP

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

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

CHESAPEAKE ENERGY CORP.

By: _____
Printed Name: _____
Printed Title: _____

STATE OF TEXAS "
COUNTY OF MIDLAND "

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF 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

Barbara Nelson
Notary Public, State of New Mexico
Barbara Nelson

EXHIBIT "A"

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

Lands subject to this Agreement:

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

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

TMBR/Sharp Drilling, Inc.	98.51562%
Chesapeake Energy Corp.	0.70312%
Yates Petroleum Corporation	0.54687%
Yates Drilling Company	0.07813%
MYCO Industries, Inc.	0.07813%
Abo Petroleum Corp.	0.07813%
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 4th Street
Artesia, New Mexico 88210-2122

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

ROSWELL, NM 88202

Postage	\$ 3.10
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.70

UNIT ID: 0708

Postmark
Here

Clerk: KHGFOG

05/04/02

Sent To

Branex Resources, Inc.

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

P. O. Box 2328

City, State, ZIP+4

Roswell, NM 88202-2328

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

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

2. Article Number
(Transfer from service label)

7002 0460 0002 0073 5349

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]* ☐ Agent ☒ Addressee

B. Received by (Printed Name)

C. Date of Delivery

5-6-02

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

If YES, enter delivery address below: ☐ No

3. Service Type

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

4. Restricted Delivery? (Extra Fee)

☐ Yes



BRANEX RESOURCES, INC.
POST OFFICE BOX 1329
ROSWELL, NEW MEXICO 83202-1328
(505) 627-0612 • Fax (505) 627-5553

May 6, 2002

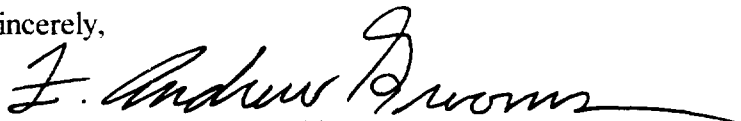
Dennis J. Hopkins, CPL
Land Manager
TMBR/Sharp
Drawer 10970
Midland, Texas 79702-7970

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

Gentlemen:

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

Sincerely,


F. Andrew Grooms, President
Branex Resources, Inc.

cc. Jim Bruce

TMBR/Sharp



After 10370
Midland, Texas 79702-7870
15-669-5050

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 wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

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

Yours truly,

TMBR/SHARP DRILLING, INC.



Dennis J. Hopkins, CPL
Land Manager

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

By: _____
Name: _____
Title: _____

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)			
DALLAS, TX 75219			
Postage	\$	3.10	UNIT ID: 0708 Postmark Here Clerk: KHGFOG 05/04/02
Certified Fee		2.10	
Return Receipt Fee (Endorsement Required)		1.50	
Restricted Delivery Fee (Endorsement Required)			
Total Postage & Fees	\$	6.70	
Sent To Robert M. Edsel			
Street, Apt. No., or PO Box No. 3111 Welborn, No. 1604			
City, State, ZIP+4 Dallas, TX 75219-5023			
PS Form 3800, January 2001 See Reverse for Instructions			

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p>ROBERT M. EDSSEL 3111 WELBORN, NO. 1604 DALLAS, TX 75219-5023</p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p> <p>7002 0460 0002 0073 5318</p>	

TMBR/Sharp



Box 10970
Dallas, Texas 75202-7970
1-849-5050

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

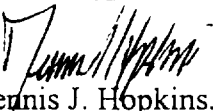
Robert M. Edsel
May 3, 2002
Page Two

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 wish to enter into an oil and gas covering your mineral interest we would be happy to discuss such a transaction with you.

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

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

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

By: _____
Name: _____
Title: _____

ARTICLE XVI
MISCELLANEOUS

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

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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

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

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

BRANEX RESOURCES, INC.

By: _____
Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

EXHIBIT "A"

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

A. Lands subject to this Agreement:

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

Lea County, New Mexico

B. Restrictions as to depth:

None

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

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

1 8 Other provisions.

2
3
4
5
6 _____, who has prepared and circulated this form for execution, represents and warrants
7 that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610RS-1989 Model
8 Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by
9 Form On A Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion
10 and that are clearly recognizable as changes in Articles _____, have been made to the form.
11

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

15
16 ATTEST OR WITNESS:

OPERATOR

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

28 ATTEST OR WITNESS:

NON-OPERATORS

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

40 ATTEST OR WITNESS:

41
42
43
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45 By: _____
46 _____
47 Title: Type or Print Name
48 _____
49 Title: _____
50 Date: _____
51 Address: _____

52 ATTEST OR WITNESS:

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56 By: _____
57 _____
58 Title: Type or Print Name
59 _____
60 Title: _____
61 Date: _____
62 Address: _____

63 ATTEST OR WITNESS:

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

EXHIBIT "A"

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

Lands subject to this Agreement:

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

Lea County, New Mexico

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

TMBR/Sharp Drilling, Inc.	99.29688%
Branex Resources, Inc.	0.70312%
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 XVI
MISCELLANEOUS

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

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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

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

OPERATOR

TMBR/SHARP DRILLING, INC.

By: _____
Jeffrey D. Phillips, President

NON-OPERATORS

By: _____
Printed Name: Robert M. Edsel
Printed Title:

By: _____
Printed Name:
Printed Title:

By: _____
Printed Name:
Printed Title:

EXHIBIT "A"

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

A. Lands subject to this Agreement:

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

B. Restrictions as to depth:

None

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

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

D. Addresses of the parties to this Agreement:

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

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

8. Other provisions

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

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

ATTEST OR WITNESS:

OPERATOR

TMBR Sharp Drilling, Inc.

By _____

Type or Print Name

Title: Jeffery D. Phillips, President

Date: _____

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

ATTEST OR WITNESS:

NON-OPERATORS

By _____

Type or Print Name

Title: Robert M. Edsel

Date: _____

Address: _____

ATTEST OR WITNESS:

By _____

Type or Print Name

Title: _____

Date: _____

Address: _____

ATTEST OR WITNESS:

By _____

Type or Print Name

Title: _____

Date: _____

Address: _____

ATTEST OR WITNESS:

By _____

Type or Print Name

Title: _____

Date: _____

Address: _____

EXHIBIT "A"

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

Lands subject to this Agreement:

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

Lea County, New Mexico

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

TMBR/Sharp Drilling, Inc.	99.84375%
Robert M. Edsel	0.15625%
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 Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

7002 0460 0002 0073 5301

ROSWELL, NM 88202

Postage	\$ 3.10
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.70

UNIT ID: 0708

Postmark
Here

Clerk: KHGF06

05/04/02

Sent To Harle, Inc.
Street, Apt. No., or PO Box No. P. O. Box 2608
City, State, ZIP+ 4 Roswell, NM 88202-2608
 PS Form 3800, January 2001 See Reverse for Instructions.

SENDER: COMPLETE THIS SECTION

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

1. Article Addressed to:

HARLE, INC.
P. O. BOX 2608
ROSWELL, NM 88202-2608

2. Article Number

(Transfer from service label)

7002 0460 0002 0073 5301

COMPLETE THIS SECTION ON DELIVERY

A. Signature

☒ Agent ☐ Addressee

B. Received by (Printed Name),

C. Date of Delivery

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

If YES, enter delivery address below: ☐ No

3. Service Type

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

4. Restricted Delivery? (Extra Fee)

☐ Yes

100 Sharp
57-93-149,
May 3, 2002

CERTIFIED MAIL/RRR

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

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

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

Dear Mineral Owner:

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

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

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

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

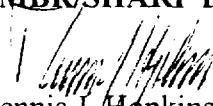
Harle, Inc.
May 3, 2002
Page Two

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

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

Yours truly,

TMBR/SHARP DRILLING, INC.


Dennis J. Hopkins, CPL
Land Manager

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

By: [Signature]
Name: Lonnie S. Arnold, Harle, Inc
Title: RESIDENT

8. Other provisions

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

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

ATTEST OR WITNESS:

OPERATOR

TMBR Sharp Drilling, Inc.

By _____

Type or Print Name

Title: Jeffery D. Phillips, President

Date: _____

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

ATTEST OR WITNESS:

NON-OPERATORS

Harle, Inc.

By: David S. Harle

Type or Print Name

Title: PresidentDate: 14 May 02Address: 27435 E. Taylor Dr
Tualatin, OR 97062

ATTEST OR WITNESS:

By: _____

Type or Print Name

Title: _____

Date: _____

Address: _____

ATTEST OR WITNESS:

By: _____

Type or Print Name

Title: _____

Date: _____

Address: _____

ATTEST OR WITNESS:

By: _____

Type or Print Name

Title: _____

Date: _____

Address: _____

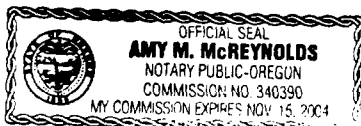
STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on the 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 Oregon §
COUNTY OF Clatsop §

This instrument was acknowledged before me on the 4th day of May, 2002 by David S. Davis of Hark Inc, a New Mexico corporation, on behalf of said corporation.



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

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

ARTICLE XVI.
MISCELLANEOUS

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

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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

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

OPERATOR

TMBR/SHARP DRILLING, INC.

By: Jeffrey D. Phillips, President

NON-OPERATORS

HARLE, INC.

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

By: _____
Printed Name: _____
Printed Title: _____

By: _____
Printed Name: _____
Printed Title: _____

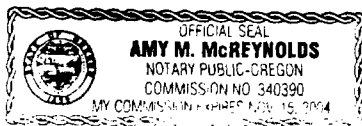
STATE OF TEXAS §
COUNTY OF MIDLAND §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF Oregon §
COUNTY OF Clatsop §

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



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

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

STATE OF _____ §
COUNTY OF _____ §

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

Notary Public, State of _____
Printed Name: _____
Commission Expires: _____

TMBR/ Sharp Drilling, INC.			AFE Number	23-Apr-02
AUTHORIZATION FOR EXPENDITURE			Well No. 1.	
Name	State	County/Parish	Location:	
in 25	New Mexico	Lea	1913' FNL & 924' FWL, Sec. 25, T16S, R35E	
INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST	
1 Surveys- Permits- Bonds	1200		1,200	
2 Roads Location Damages	30000		30,000	
3 Mob demon	27000		27,000	
4 Drilling Contract-				
5 Daywork 50days At \$8520 /day.	400440	25,560	426,000	
6 Footage				
7 Completion Unit- 15 days At \$ 2000 /day		30,000	30,000	
8 Mud-Chemicals	35000		35,000	
9 Water	18000	3,000	21,000	
10 Cement/Cementing Services	20000	36,000	56,000	
11 Fuel/Electricity/Generator lights	28200	1,800	30,000	
12 Bits	65000		65,000	
13 Reamers- stabilizers	15000		15,000	
14 Service Equipment	2000	5,000	7,000	
15 Equipment rentals	10000	35,000	45,000	
16 Wire line Unit				
17 Mud Logging- Paleo/Bioassay	18000		18,000	
18 Open Hole Logging	25000	25,000	50,000	
19 Drill Stem Testing and coring	20000		20,000	
20 Tubular Inspection/Testing	3000	1,500	4,500	
21 Transportation (land)	3000	2,000	5,000	
22 Equipment inspection/testing	2500	2,000	4,500	
23 Casing Crews/Tongs	4500	5,000	9,500	
24 Drilling Overhead	6500	1,500	8,000	
25 Supervision	2750	5,500	8,250	
26 Cased Hole Logging & Perf		5,500	5,500	
27 Stimulation		100,000	100,000	
28 Production Testing		10,000	10,000	
29 Completion Fluids		2,500	2,500	
30 Fishing Tools. Supervisor	5000		5,000	
31 Contract labor	2500	3,000	5,500	
32 Insurance	8756	2,919	11,675	
33 Plug and Abandon	15000		15,000	
34 Contingency (7%)	53784	21195	\$74,979	
TOTAL INTANGIBLE ESTIMATED COST	\$822,130	\$323,974	\$1,146,104	
TANGIBLE DESCRIPTION				
35 Conductor				
36 500' of 13 3/8" 54.5 @15.50/FT Surface Casing	7,750		7,750	
37 5000' of 9 5/8" 40# @ 13.00/FT Intermediate Csg	65,000		65,000	
38 Intermediate Csg				
39 Intermediate Csg				
40 12 500' of 7" 26# @ 11.50/FT Production Csg		143,750	143,750	
41 1500' of 4 1/2" 11.60# @ 5.75/ft Liner		8,625	8,625	
42 13800' of 2 7/8" 6.50# @3.20/FT Tubing		44,160	44,160	
43 Tubing				
44 Tubing				
45 Wellhead Equipment	4,200	9,000	13,200	
46 Float Equipment	4,000	7,000	11,000	
47 Liner Equipment		12,000	12,000	
48 Pumping Unit / Base / Engine				
49 Sucker rods. Polished Rods				
50 Producing Equipment, Tank Battery, Flowline		60,000	60,000	
51 Flowlines, Vavles, Fittings/Connections		8,000	8,000	
52 Packers & Other Subsurface Tools		6,500	6,500	
53 Compressor				
54 Miscellaneous Sale Items		5,000	5,000	
55 Contingency (7%)	5,667	21,282	26,949	
TOTAL TANGIBLE ESTIMATED COST	\$86,617	\$325,317	\$411,934	
TOTAL AFE ESTIMATED COST	\$908,747	\$649,291	\$1,558,038	
PROVAL AND ACCEPTANCE				
Participant	TMBR/ Sharp Inc			
I, _____	07517			
As _____	President			
Signature	Daniel L. Kline			
<p>IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT</p> <p><input checked="" type="checkbox"/> I Wish to be covered by TMBR/Sharp's blow out insurance.</p> <p><input type="checkbox"/> I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.</p> <p>Date 14 May 02</p>				