

May 31, 2002

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

TO ALL WORKING INTEREST OWNERS:
(See Distribution List)

RE: Packer "7" State Com. #1
1,980' FNL and 660' FEL
E/2 Section 7, T-21-S, R-35-E
Lea County, New Mexico
Packer Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (NEC) hereby proposes the drilling of a 12,500' Morrow test at the captioned location, dedicating the E/2 as the 320 acre proration unit for the drilling of this well. We have enclosed an AFE setting forth NEC's estimated cost to drill and complete this well. Should you wish to participate in the drilling of this well, we ask that you sign both copies of the AFE and return one to the attention of the undersigned. Upon receipt, we will prepare and forward an operating agreement for your review and execution.

Should you wish not to participate, we ask that you please consider granting NEC a term assignment of your interest on mutually agreeable terms.

If we can be of any further assistance, please advise the undersigned.

Yours very truly.



Duke Roush
Senior Landman

DR/dw
encl.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12901 Exhibit No. 3
Submitted by:
NEARBURG EXPLORATION COMPANY, L.L.C.
Hearing Date: August 1, 2002

**PACKER "7" STATE COM. #1
1,980' FNL AND 660' FEL
E/2 SECTION 7, T-21-S, R-35-E
LEA COUNTY, NEW MEXICO**

Mr. David Evans
OXY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

Mr. Ray Vaden
Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

Mr. Brett Butterfield
Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Wilson Oil Company
1275 S. Birch St., Suite 604
Denver, CO 80246

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.

Article Addressed to:

Wilson Oil Company, Ltd.
1275 South Birch St. #604
Denver, CO 80246-7834

Article Number (Copy from service label)

7099 3400 0016 5944 3859 - Packer "7" St. Com. #1

Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
Francis Wilson 6/6/02
C. Signature
Francis Wilson
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

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

4. Restricted Delivery? (Extra Fee) Yes No

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

Packer 7 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Wilson Oil Company, Ltd.
1275 South Birch St. #604
Denver, CO 80246-7834

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.

Article Addressed to:

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Article Number (Copy from service label)

7099 3400 0016 5944 3866 - Packer "7" St. Com. #1

S Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
Deanna Swidley 6-3
C. Signature
Deanna Swidley
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

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

4. Restricted Delivery? (Extra Fee) Yes No

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

Packer 7 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

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Article Addressed to:

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

Article Number (Copy from service label)

7099 3400 0016 5944 3873 - Packer "7" St. Com. #1

S Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
X
C. Signature
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

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

4. Restricted Delivery? (Extra Fee) Yes No

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

Packer 7 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Chevron USA, Inc.
P. O. Box 1150
Midland, Texas 79702

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Article Addressed to:

Mr. David Evans
XY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

Article Number (Copy from service label)

7099 3400 0016 5944 3880 - Packer "7" St. Com. #1

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
David Evans 6-3-02
C. Signature
David Evans
D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

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

4. Restricted Delivery? (Extra Fee) Yes No

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

Packer 7 St. Com. #1

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

Mr. David Evans
XY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710

Nearburg Producing Compa

Exploration and Production
Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Packer "7" State Com.

WELL NUMBER: 1

PBTD: 12,500'

LOCATION: 1,980' FNL and 660' FEL, Section 7, T21S, R35E, Lea County, New Mexico

FIELD: Wildcat Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. This cost estimate does not include a fracture stimulation.

DATE PREPARED: 5/7/02

EST. START DATE: 8/02

EST. COMPLETION DATE: 10/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 12,500 Ft @ 30.50 \$/Ft	1514.101	404,125	NA	0	404,125
Drilling Daywork 1 2 8,500 \$/day	1514.105	9,010	1515.105	18,020	27,030
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	0	1515.115	0	0
Road & Location Expense	1514.120	27,295	1515.123	3,180	30,475
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	0	1515.130	0	0
Drilling Fluids	1514.135	47,700	1515.132	0	47,700
Fuel, Power, and Water	1514.140	21,200	1515.140	2,120	23,320
Supplies - Bits	1514.145	0	1515.145	1,484	1,484
Supplies - Casing Equipment	1514.150	6,890	1515.150	4,770	11,660
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	530	1515.160	0	530
Cement and Cmt. Services - Surface Csg	1514.165	10,600	NA	0	10,600
Cement and Cmt. Services - Int. Csg	1514.170	19,080	NA	0	19,080
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	10,600	10,600
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	212	1515.180	0	212
Rental - Misc.	1514.185	27,083	1515.185	3,500	30,583
Testing - Drill Stem / Production	1514.195	4,770	1515.195	5,000	9,770
Open Hole Logging	1514.200	42,400	NA	0	42,400
Mudlogging Services	1514.210	18,550	NA	0	18,550
Special Services	1514.190	0	1515.190	0	0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	13,250	13,250
Reverse Equipment	NA	0	1515.219	5,300	5,300
Wireline Services	1514.205	795	1515.205	21,200	21,995
Stimulation	NA	0	1515.221	19,080	19,080
Pump / Vacuum Truck Services	1514.220	0	1515.220	5,545	5,545
Transportation	1514.225	4,240	1515.225	6,360	10,600
Tubular Goods - Inspection & Testing	1514.230	2,650	1515.230	3,180	5,830
Unclassified	1514.245	530	1515.245	0	530
Telephone and Radio Expense	1514.240	1,272	1515.240	636	1,908
Engineer / Geologist / Landman	1514.250	17,500	1515.250	1,500	19,000
Company Labor - Field Supervision	1514.255	23,850	1515.255	7,500	31,350
Contract Labor / Roustabout	1514.265	6,890	1515.265	13,780	20,670
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	6,595	1515.275	0	6,595
Overhead	1514.280	10,500	1515.280	3,500	14,000
SUBTOTAL		739,267		134,505	873,772
Contingencies (10%)		73,927		13,450	87,377
ESTIMATED TOTAL INTANGIBLES		813,194		147,955	961,149

Nearburg Producing CompanyExploration and Production
Dallas, Texas

Page 2 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Packer "7" State Com.

WELL NUMBER: 1

PBDT: 12,500'

LOCATION: 1,980' FNL and 660' FEL, Section 7, T21S, R35E, Lea County, New Mexico

FIELD: Wildcat Morrow

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. This cost estimate does not include a fracture stimulation.

DATE PREPARED: 5/7/02

EST. START DATE: 8/02

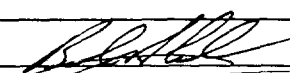

EST. COMPLETION DATE: 10/02

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	40 Ft @	110.00 \$/Ft	1520.305	4,400	NA	0	4,400
Surface Csg	1,350 Ft @	24.00 \$/Ft	1520.310	32,400	NA	0	32,400
Intermediate Csg	5,500 Ft @	18.00 \$/Ft	1520.315	99,000	NA	0	99,000
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	12,500 Ft @	9.00 \$/Ft	NA	0	1522.325	112,500	112,500
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	12,300 Ft @	3.38 \$/Ft	NA	0	1522.340	41,574	41,574
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522.345	0	0
Artificial Lift Equipment			NA	0	1522.350	0	0
Tank Battery			NA	0	1522.355	12,720	12,720
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	19,080	19,080
* Well Head Equipment & Christmas Tree			1520.365	5,500	1522.365	12,500	18,000
Subsurface Well Equipment			NA	0	1522.370	6,148	6,148
Flow Lines			NA	0	1522.375	6,625	6,625
Saltwater Disposal Pump			NA	0	1522.391	0	0
Gas Meter			NA	0	1522.395	3,180	3,180
Lact Unit			NA	0	1522.397	0	0
Vapor Recovery Unit			NA	0	1522.399	0	0
Other Well Equipment			NA	0	1522.390	0	0
ROW and Damages			NA	0	1522.393	2,650	2,650
Surface Equipment Installation Costs			NA	0	1522.395	10,600	10,600
Elect. Installation			NA	0	1522.397	0	0
ESTIMATED TOTAL TANGIBLES				141,300		227,577	368,877
ESTIMATED TOTAL WELL COSTS				954,494		375,532	1,330,026

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW/CPF	05/13/02
REVIEWED BY:	
APPROVED BY: 	5/24/02
APPROVED BY: 	5/31/02

WI APPROVAL:

COMPANY

BY

TITLE

DATE

ChevronTexaco

New Mexico Area
15 Smith Road
Midland, TX 79705
Fax: 915-687-7905

Fax

To: DUKE ROUSH FAX: 686 7806

FROM: DENISE BECKHAM FAX: 687 7557

Phone: 687 7235 Pages: 3 (including cover sheet)

Re: CC:

•Comments:

North America Upstream
Permian Business Unit
15 Smith Road
Midland, Texas 79705
Tel (915) 687-7225
Fax (915) 687-7557
dkbe@chevrontexaco.com

Denise K. Beckham, CPL/ESA
Senior Landman

July 17, 2002

ChevronTexaco

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Duke Roush

Packer "7" State Com. #1
E/2 Section 7, T-21-S, R-35-E,
Lea County, New Mexico

Dear Mr. Roush,

Nearburg Exploration Company, L.L.C. (Nearburg) has proposed the drilling of a 12,500' Morrow test well at a location of 1980' FNL and 660' FEL of Section 7, T-21-S, R-35-E, Lea County, New Mexico, dedicating the E/2 of Section 7 as the 320 acre proration unit for the Packer "7" State Com. #1 Well. Nearburg has requested that Chevron U.S.A. Inc. (ChevronTexaco) participate by joining in the drilling of this well and committing its interest in the NE/4 of Section 7. Should ChevronTexaco not wish to participate in the drilling of the well, Nearburg has requested that ChevronTexaco consider granting Nearburg a term assignment of its interest. In order to better facilitate its decision, ChevronTexaco requests additional information by means of a technical presentation.

In consideration of the mutual covenants and obligations herein, ChevronTexaco and Nearburg agree to the following:

1. The parties shall conduct a meeting whereby Nearburg shall make a presentation to ChevronTexaco of the proposed well. In its presentation, Nearburg will provide ChevronTexaco the opportunity to view any and all of Nearburg's data that is not restricted from being disclosed as a consequences of any applicable licensees or agreements with third parties concerning the proposed well.
2. ChevronTexaco shall make an election in writing within ten (10) days from the date of Nearburg's presentation that shall incorporate one of the following options.
 - A. ChevronTexaco shall participate in the drilling of the Packer "7" State Com. #1 Well by signing a mutually acceptable operating agreement committing its 35.312% interest in the NE/4 of Section 7 (17.656% interest in the 320 acre proration unit).
 - B. ChevronTexaco shall deliver Nearburg a two year term assignment of its interest via a mutually acceptable term assignment form. ChevronTexaco will retain a proportionately reduced 12.5% overriding royalty interest under the term assignment, granting Nearburg a proportionately reduced 75% net interest. ChevronTexaco will also be provided copies of well information as secured by Nearburg.

July 16, 2002

Page 2

ChevronTexaco's election is subject to its obtaining management approval in regards to the pooling of interest mandate imposed as part of the merger between Chevron U.S.A. Inc and Texaco Exploration and Production, Inc. In addition, if the well results in a gas well, the gas would be subject to a gas contract, if any, with ChevronTexaco's purchaser.

Except with regard to any existing obligations of Nearburg to third parties, the terms and conditions of this Agreement and the data or information or any documentation provided by either party in connection herewith, is confidential and to be considered proprietary and neither party may divulge, disclose or discuss with any third party any of the same unless required to do so by governmental regulatory agencies or legal process.

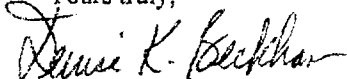
The parties shall at all times act independently of one another in complying with the terms and provisions of this Agreement. No partnership is intended or created by this Agreement and no act by either party hereto shall operate to create such a relationship. The employees, agents and contractors of a party are not in any manner to be considered the agents, employees or contractors of the other party. Notwithstanding any provisions hereto that this Agreement and operations hereunder, if any, shall constitute a partnership, if, for federal income tax purposes, this Agreement and operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1986 ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder.

Except with regard to Nearburg's existing partners, this Agreement shall not be assigned by either party without the prior written consent of the other party. Subject to such limitation, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

This Agreement contains the entire agreement between the parties hereto and may not be modified or amended except by written amendment signed by the parties hereto.

If the foregoing correctly reflects the understanding between ChevronTexaco and Nearburg, please execute and return one copy of this Agreement to ChevronTexaco.

Yours truly,



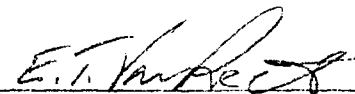
Denise K. Beckham, CPL/ESA

Agreed and accepted the above this _____ day of _____, 2002.

Chevron U.S.A. Inc.

Nearburg Exploration Company, L.L.C.

By:



E. T. Van Reet, Attorney-in-Fact

By: _____

Title: _____

ChevronTexaco

New Mexico Area
15 Smith Road
Midland, TX 79705
Fax: 915-687-7905

Fax

To: DUKE ROUSH FAX: 686 7806

FROM: DENISE BECKHAM FAX: 687 7557

Phone: 687 7235 Pages: 3 (including cover sheet)

Re: CC:

•Comments:

North America Upstream
Permian Business Unit
15 Smith Road
Midland, Texas 79705
Tel (915) 687-7235
Fax (915) 687-7557
dkbe@chevron.texasco.com

Denise K. Beckham, CPL/ESA
Senior Landman

July 17, 2002

ChevronTexaco

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
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Attention: Duke Roush

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E/2 Section 7, T-21-S, R-35-E,
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1. The parties shall conduct a meeting whereby Nearburg shall make a presentation to ChevronTexaco of the proposed well. In its presentation, Nearburg will provide ChevronTexaco the opportunity to view any and all of Nearburg's data that is not restricted from being disclosed as a consequences of any applicable licensees or agreements with third parties concerning the proposed well.
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July 16, 2002

Page 2

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Except with regard to any existing obligations of Nearburg to third parties, the terms and conditions of this Agreement and the data or information or any documentation provided by either party in connection herewith, is confidential and to be considered proprietary and neither party may divulge, disclose or discuss with any third party any of the same unless required to do so by governmental regulatory agencies or legal process.

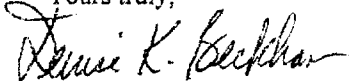
The parties shall at all times act independently of one another in complying with the terms and provisions of this Agreement. No partnership is intended or created by this Agreement and no act by either party hereto shall operate to create such a relationship. The employees, agents and contractors of a party are not in any manner to be considered the agents, employees or contractors of the other party. Notwithstanding any provisions hereto that this Agreement and operations hereunder, if any, shall constitute a partnership, if, for federal income tax purposes, this Agreement and operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1986 ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder.

Except with regard to Nearburg's existing partners, this Agreement shall not be assigned by either party without the prior written consent of the other party. Subject to such limitation, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

This Agreement contains the entire agreement between the parties hereto and may not be modified or amended except by written amendment signed by the parties hereto.

If the foregoing correctly reflects the understanding between ChevronTexaco and Nearburg, please execute and return one copy of this Agreement to ChevronTexaco.

Yours truly,



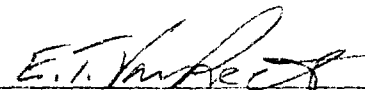
Denise K. Beckham, CPL/ESA

Agreed and accepted the above this _____ day of _____, 2002.

Chevron U.S.A. Inc.

Nearburg Exploration Company, L.L.C.

By:



E. T. Van Reet, Attorney-in-Fact

By: _____

Title: _____

North America Upstream
Permian Business Unit
15 Smith Road
Midland, Texas 79705
Tel (915) 687-7235
Fax (915) 687-7557
dkbe@chevrontexaco.com

Denise K. Beckham, CPL/ESA
Senior Landman

July 17, 2002

ChevronTexaco

Nearburg Exploration Company, L.L.C.
3300 North "A"
Building 2, Suite 120
Midland, Texas 79705

Attention: Duke Roush

Packer "7" State Com #1
E/2 Section 7, T-21-S, R-35-E,
Lea County, New Mexico

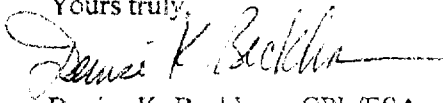
Dear Mr. Roush,

In connection with the Letter Agreement dated July 17, 2002, please be advised of the following:

Should the Letter Agreement be executed by both parties and ChevronTexaco proceed to make a selection of options as provided under the Letter Agreement, ChevronTexaco's would limit its interest to Nearburg to depths included in the Morrow formation.

Should you have any questions, please contact me at 687-7235.

Yours truly,


Denise K. Beckham, CPL/ESA

ChevronTexaco

New Mexico Area
15 Smith Road
Midland, TX 79705
Fax: 915-687-7905

Fax

To: Duke Roush FAX: 686 7806

FROM: Denise Beckham FAX: 687 7557

Phone: 687 7235 Pages: _____ (including cover sheet)

Re: _____ CC: _____

•Comments:

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

July 23, 2002

Tug Wilson
Wilson Oil Company
1275 S. Birch St., Suite 604
Denver, CO 80246

RE: Packer "7" State Com. #1
E/2 Section 7, T-21-S, R-35-E
Lea County, New Mexico
Packer Prospect

Gentlemen:

By virtue of Wilson Oil Company, Ltd.'s (Wilson) 6.25% working interest in the NE/4 of Section 7 in the captioned township and range, Nearburg Exploration Company, L.L.C. (NEC) proposed the drilling of the Packer "7" State Com. #1 by letter dated May 31, 2002. Wilson by phone has indicated that it does not wish to participate in the drilling of this well and NEC hereby offers to acquire a one (1) year term assignment of it's interest on the following terms and conditions.

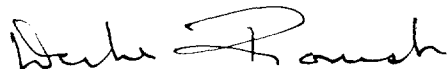
- 1) NEC shall pay Wilson \$150.00 per net leasehold acre assigned (10 acres X \$150.00 = \$1,500.00).
- 2) Wilson shall retain an overriding royalty equal to the difference between existing burdens and 20%.
- 3) Parties agree to enter into a term assignment on the form attached hereto as Exhibit "A".
- 4) This offer shall expire on it's own terms unless accepted by you in writing on or before July 31, 2002 at 5:00 p.m. CST.

Should you find this offer acceptable please execute both copies of this letter in the space provided below and return one (1) copy to the attention of the undersigned.

Mr. Tug Wilson
Wilson Oil Company
July 23, 2002
Page Two

If we can be of any further assistance, please advise the undersigned.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Duke Roush".

Duke Roush
Senior Landman

DR/dw
encl.

AGREED AND ACCEPTED THIS ____ day of July, 2002.

WILSON OIL COMPANY

By: _____
Its: _____

EXHIBIT "A"

TERM ASSIGNMENT OF OIL AND GAS LEASE

STATE OF NEW MEXICO §
 §
COUNTY OF LEA §

For a valuable and sufficient consideration, receipt of which is hereby acknowledged, and subject to the terms and conditions hereinafter set forth, Wilson Oil Company, whose mailing address is 1275 S. Birch St., Suite 604, Denver, Colorado 80246, hereinafter called "Assignor", does hereby sell, transfer and assign to Nearburg Exploration Company, L.L.C., whose mailing address is 3300 North "A" Street, Building 2, Suite 120, Midland, Texas 79705, hereinafter called "Assignee", all of Assignor's right, title and interest in and to the Oil and Gas Leases described on Exhibit "A" attached hereto (said Leases), located in Lea County, New Mexico, subject to the herein below limitations and restrictions.

TO HAVE AND TO HOLD to Assignee, its successors and assigns, for a period of one (1) year from the date hereof, and so long thereafter as there is a well located on the assigned premises or lands pooled therewith which is either producing, shut-in and/or capable of producing oil, gas, casinghead gas, or associated hydrocarbons subject to the following provision:

If on the expiration of the Primary Term of this Assignment, oil and/or gas is not being produced from said leases or lands pooled therewith, but Assignee is then engaged in drilling or reworking operations thereon, this Assignment shall remain in force for so long as drilling or reworking operations are prosecuted (whether on the same well or different wells) with no cessation of more than one hundred and eighty (180) consecutive days, and, if they result in production of oil and/or gas, for so long thereafter as oil and/or gas are produced or capable of being produced from said leases or lands pooled therewith.

If after the expiration of the term hereof oil and/or gas production on said leases or lands pooled therewith should cease, for any cause, this Assignment nevertheless shall continue in force and effect as long as either 1) additional drilling operations or 2) recompletion or reworking operations are conducted on said leases or on lands pooled therewith, which additional operations shall be deemed to be had when not more than ninety (90) consecutive days elapse between the cessation of production or abandonment of operations on one well and the actual commencement of operations or drilling of another well, and, if production is obtained, this Assignment shall continue as long thereafter as oil and/or gas is produced or capable of being produced from said leases or lands pooled therewith, or as long thereafter as additional operations, either drilling, recompletion or reworking, are had thereon.

EXCEPT FOR ANY CONDITION OR CLAIM ARISING FROM THE RETAINED WELLS, ASSIGNEE SHALL ASSUME, BE RESPONSIBLE FOR AND PAY ALL CLAIMS ATTRIBUTABLE TO THE LEASES AND ARISING DIRECTLY FROM THE PHYSICAL OR ENVIRONMENTAL CONDITION OF THE LANDS COMPRISING THE LEASES, PROVIDED THAT THE BASIS FOR SUCH CLAIMS ARISE AFTER THE EFFECTIVE DATE, INCLUDING ANY REQUIREMENT OF ANY GOVERNMENTAL AUTHORITY TO PLUG, REPLUG OR ABANDON ANY WELL OR TO TAKE ANY CLEANUP, REMEDIAL OR OTHER ACTION WITH RESPECT TO SUCH LANDS UPON WHICH ASSIGNEE HAS BEEN THE OPERATOR.

WITH REGARD TO ANY CONDITION OR CLAIM ARISING FROM THE RETAINED WELLS, ASSIGNOR SHALL ASSUME, BE RESPONSIBLE FOR, COMPLY WITH AND PAY ANY AND ALL OTHER LIABILITIES, CLAIMS, DUTIES, AND OBLIGATIONS RESPECTING THE OWNERSHIP, USE, OCCUPATION, OPERATION, MAINTENANCE OR ABANDONMENT OF OR PRODUCTION FROM THE LEASES, OR THE CONDITION OF THE LEASES, WHEN THE BASIS FOR SUCH CLAIM RESULTED PRIOR TO THE EFFECTIVE DATE HEREOF, WHETHER KNOWN OR UNKNOWN.

Assignor reserves from this Term Assignment of Oil and Gas Lease an overriding royalty interest equal to the difference between current lease burdens and 20%. Such overriding royalty interest reserved shall be free and clear of all working interest costs of exploring, drilling or producing, but shall bear its part of gross production taxes and shall be paid in the same manner as the royalty provided for under the Exhibit "A" lease(s). The overriding royalty herein reserved shall be proportionately reduced if any lease, or interest therein covers less than the full mineral interest and/or the assignment made hereunder does not convey full leasehold rights in any said lease(s). If said lease(s) are pooled or communitized under the lease authority or authority of any governmental agency the overriding royalty interest herein reserved shall be pooled and paid on a pooled unit basis.

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

TO HAVE AND TO HOLD unto Assignee, its successors and assigns for the term stated herein; however, this Term Assignment is made without warranty of title, either express or implied.

IN WITNESS WHEREOF, this Term Assignment is dated the ____ day of ____, 2002.

ASSIGNOR:

WILSON OIL COMPANY

By: _____
Printed Name: _____
Title: _____
Date: _____
Tax ID or SS No. _____

ACKNOWLEDGMENT

STATE OF COLORADO §
 §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me on this ____ day of _____, 2002, by _____, as _____ of Wilson Oil Company, a _____ company/corporation, on behalf of said company/corporation.

Notary Public, State of _____

My Commission Expires:

ASSIGNEE:

NEARBURG EXPLORATION COMPANY, L.L.C.

By: _____
Printed Name: Robert G. Shelton
Title: Attorney-in-Fact
Date: _____
Tax ID or SS No. _____

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this ____ day of _____, 2002, by Robert G. Shelton, as Attorney-in-Fact of Nearburg Exploration Company, L.L.C., a Texas limited liability company, on behalf of said company.

Notary Public, State of Texas

My Commission Expires:

**EXHIBIT "A" to that certain
Term Assignment of Oil and Gas Leases
by and between Wilson Oil Company,
as assignor and Nearburg Exploration Company, L.L.C. , as assignee,
dated May 1, 2002**

Lease:

Lessor:	State of New Mexico
Lessee:	Francis C. Wilson
Lease Date:	November 28, 1932
Description:	Insofar and only insofar as said lands cover Section 7: NE/4 from a depth of 5,200 to 12,925' T-21-S, R-35-E