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September 12, 2002

**W. Thomas Kellahin**

Attorney for Richardson Production Company  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265  
(505) 982-4286  
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Re: NMOCD Case 12910  
Application of Richardson Production Company  
For Compulsory Pooling E/2 of Section 14, T29N, R14W  
San Juan County, New Mexico  
(Navajo "14" Well No. 2)

Dear Mr. Kellahin:

I have received your letter and offer dated August 27, 2002. I have reviewed said offer with my client, Mary Fischer. Said offer is hereby rejected.

It must be clear at this point that Ms. Fischer has little interest in dealing with your client on this matter. That having been said, Ms. Fischer is now aware that the laws of the State of New Mexico are structured such that in the present matter your client will inevitably be allowed to harvest the natural gas belonging to Ms. Fischer underlying her property. Ms. Fischer understands that, pursuant to the subject Application for Compulsory pooling, if she does not voluntarily agree to allow your client to harvest her natural gas, your client will be granted an order: allowing your client to harvest such natural gas anyway; charging Ms. Fischer her proportionate share of the cost of drilling, completing and operating the subject well, and charging her an additional amount, of as much as 200% of her proportionate share of the cost of drilling and completing the subject well, as a nonconsent penalty.

Therefore, in that environment, Ms. Fischer hereby offers to allow her interests in the natural gas underlying her property, described as Lot 1 of Section

14, T29N, R14W, N.M.P.M., to be pooled with respect to the subject well, in accordance with the following terms and conditions:

A. Richardson Production Co. is in the business of drilling and operating natural gas wells. Richardson Production Co. has previously drilled the subject Navajo "14" Well No. 2, in the E/2 of Section 14, T29N, R14W, N.M.P.M., without any agreement with Ms. Fischer or order with respect to Ms. Fischer's interest. In that regard, the Parties acknowledge that Richardson Production Co. is the only Party to this agreement with the knowledge and capacity to assess the potential benefits and risks associated with the subject well, and that by previously drilling the subject well Richardson Production Co. has voluntarily assumed the entire risk associated with the drilling, completion and operation of the subject well.

B. Mary Fischer is the owner of a certain parcel of land described as Lot 1 of Section 14, T29N, R14W, N.M.P.M. and certain mineral interests associated therewith, that lie within the minimum spacing units associated with the subject well. The subject well will harvest natural gas, oil and liquid hydrocarbons belonging to Ms. Fischer. Richardson Production Co. must include Ms. Fischer's natural gas interests within pooling units associated with the subject well in order to comply with New Mexico law.

C. Richardson Production Co. shall pay to Mary Fischer her proportionate share of revenues received from the production of natural gas, oil and liquid hydrocarbons from the subject well. Ms. Fischer's proportionate share of such revenue shall be based upon her proportionate share of the subject pooling units.

D. Ms. Fischer will not be required to contribute any funds or efforts towards the drilling, completion, operation or liability in any manner associated with the subject well. Further, any funds from the production of such well paid to Ms. Fischer shall not be subject to any claim for any sort of liability associated with the subject well, and Richardson Production Co., and David Richardson individually,

shall indemnify and save Ms. Fischer harmless with respect to any claim against any funds paid to Ms. Fischer associated with the production revenues associated with such well.

E. Ms. Fischer's interest in the subject pooling units shall be considered to be divided into two parts:

- 1) a royalty interest, to be considered to be one-sixth ( $16 \frac{2}{3}\%$ ) of her total interest; and
- 2) a working interest, to be considered to be five-sixths ( $83 \frac{1}{3}\%$ ) of her total interest.

F. Ms. Fischer's proportionate share of the pooling units associated with the subject well shall be determined by assuming that the surface acreage of said Lot 1 of said Section 14 consists of 45.47 acres.

G. Ms. Fischer's proportionate share of the just and reasonable unit expenses shall be paid entirely out of production revenues from the subject well, and then only from her working interest as defined herein.

H. The revenues associated with Ms. Fischer's royalty interest in the subject well shall be paid to Ms. Fischer, without any sort of charges or deductions for unit expenses.

I. There shall be no interest charges, nonconsent penalties, risk penalties, or similar charges of any kind whatsoever, charged against Ms. Fischer's interest or Ms. Fischer's proportionate share of the revenues associated with the subject well.

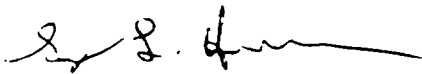
J. Ms. Fischer's exposure to any form of liability of any kind whatsoever associated with the subject well shall be limited to the future production revenues associated with her working interest as herein defined. Richardson Production Company, and David Richardson individually, shall indemnify and save Ms. Fischer harmless with respect to any expenses or liability of any nature whatsoever associated with the subject well in excess of the future production revenues associated with Ms. Fischer's working interest.

K. All monies due and owing to Ms. Fischer from production revenues associated with the subject well shall be promptly paid to Ms. Fischer on a monthly basis without any reservation for any type of contingency, escrow or other funds.

L. Richardson Production Co. shall provide a copy of the unitization plans associated with the subject well to Ms. Fischer for her approval. Such unitization plans shall clearly show each interest owner and the nature and amount of such interest in terms of both acreage and proportionate share of the unit. Further, Ms. Fischer's approval of such unitization plan shall be a condition precedent to the present agreement.

M. Richardson Production Co. will provide Ms. Fischer, or her designated representative, access to all accounting books and records, production records, and shall additionally provide Ms. Fischer with a monthly statement of the expenses, revenues and meter readings, associated with the subject well.

Sincerely,

A handwritten signature in black ink, appearing to read "G. L. Horner", with a long horizontal flourish extending to the right.

GARY L. HORNER

xc: Mary Fischer