

## NEGOTIATIONS WITH UNCOMMITTED INTERESTS

8/26/02	Discussion with Bill Owen at David Petroleum
8/26/02	Discussion with Robert Bullock at Yates Petroleum Corporation
8/27/02	Discussion with Bill Owen at David Petroleum
9/5/02	Discussion with Robert Bullock at Yates Petroleum Corporation
9/6/02	Discussion with Bill Owen at David Petroleum
9/12/02	Discussion with Bill Owen at David Petroleum
9/13/02	Discussion with Bill Owen at David Petroleum
9/13/02	Discussion with Robert Bullock at Yates Petroleum Corporation
9/16/02	Discussion with Bill Owen at David Petroleum
9/16/02	Discussion with Yates Petroleum Corporation
9/17/02	Discussion with Bill Owen at David Petroleum
9/17/02	Discussion with Yates Petroleum Corporation



**EOG Resources, Inc.**  
P.O. Box 2267  
Midland, TX 79702  
(915) 686-3600

August 23, 2002

FAX FOLLOWED BY  
CERTIFIED MAIL – RETURN RECEIPT

Working Interest Owners  
(See Attached List)

Re: John's Hopper #2 Well  
S/2 Section 30, T-15-S, R-35-E  
Lea County, New Mexico  
Salty Dog Prospect

Gentlemen:

EOG Resources, Inc. ("EOG") (successor to David H. Arrington Oil & Gas, Inc.) hereby proposes to drill the John's Hopper #2 Well to a total depth of 13,300' or a depth sufficient to test the Morrow formation at a proposed location of 1980' FSL & 880' FWL of Section 30, T-15-S, R-35-E, Lea County, New Mexico. Attached, for your review and approval, is EOG's AFE in the amount of \$1,365,500.00 to drill and complete this well.

If you wish to participate in this well, please signify on Page 2 and return one copy of this letter, one executed AFE and a copy of your well requirements. Should a party not be interested in participating in this test, EOG would entertain a mutually agreeable trade. A Joint Operating Agreement is being prepared and will follow this proposal should it be your election to participate.

Your cooperation in responding timely to this matter is appreciated. Should you have any questions, please contact me at (915) 686-3758.

Sincerely,

EOG RESOURCES, INC.

A handwritten signature in black ink, reading "Patrick J. Tower".

Patrick J. Tower  
Division Land Specialist

Enclosures

August 23, 2002  
Page Two

\_\_\_\_\_ Elect to participate in the John's Hopper #2 Well.

\_\_\_\_\_ Elect **not to** participate in the John's Hopper #2 Well.

COMPANY: \_\_\_\_\_

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

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

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

Enclosures

WORKING INTEREST OWNERS  
JOHN'S HOPPER #2 WELL  
EDDY COUNTY, NEW MEXICO

Yates Petroleum Corporation  
Abo Petroleum Corporation  
Myco Industries, Inc.  
Yates Drilling Company  
105 South 4th Street  
Artesia, New Mexico 88211  
Attn: Kathy H. Porter

David Petroleum Corporation  
McMillan Ventures, LLC  
Permian Exploration Corporation  
McMillan Production Company, Inc.  
Edward N. David and Wife \_\_\_\_\_  
William B. Owen and Wife \_\_\_\_\_  
Keith E. McKamey and Wife Kay Ann McKamey  
Michael A. McMillan and Wife Teresa L. McMillan  
116 W. 1<sup>st</sup> Street  
Roswell, New Mexico 88201  
Attn: Edward N. David

John Owens and Cynthia Owens  
4618 5<sup>th</sup> Street  
Lubbock, Texas 79416

EOG MIDLAND DIVISON

COMMAND #165

	DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	STATUS
001	8/23	14:55	5056231801	EC--S	01'39	005	OK

FAX

EOG RESOURCES, INC.

P. O. BOX 2267  
4000 N. BIG SPRING ST., SUITE 500  
MIDLAND, TEXAS 79705  
(915) 686-3600

DATE:	<u>8/23/2002</u>	NO. PAGES:	<u>5</u>
TO:	<u>David Petroleum Corp. et al</u>	COMPANY:	<u></u>
	<u>Attn: Edward N. David</u>	TELE NO:	<u>505-623-8800</u>
		FAX NO:	<u>505-623-1801</u>
FROM:	<u>Patrick Tower</u>	TELE NO:	<u>915-686-3758</u>
		FAX NO:	<u>915-686-3773</u>

IF PAGES ARE NOT RECEIVED OR IF THERE ARE ANY TRANSMISSION PROBLEMS,  
PLEASE CALL NUMBER LISTED ABOVE.

☐ URGENT ☐ CONFIDENTIAL ☐ REPLY REQUESTED

MESSAGE:

EOG MIDLAND DIVISON

COMMAND #162

DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	STATUS
001 8/23	14:41	1+806+7916866	EC--S	01"32	005	OK

**FAX**

**EOG RESOURCES, INC.**

P. O. BOX 2267  
4000 N. BIG SPRING ST., SUITE 500  
MIDLAND, TEXAS 79705  
(915) 686-3600

DATE: 8/23/2002	NO. PAGES: 5
TO: John Owens and Cynthia Owens	COMPANY:
	TELE NO:
	FAX NO: 806-791-6866
FROM: Patrick Tower	TELE NO: 915-686-3758
	FAX NO: 915 - 686 - 3773

IF PAGES ARE NOT RECEIVED OR IF THERE ARE ANY TRANSMISSION PROBLEMS,  
PLEASE CALL NUMBER LISTED ABOVE.

\_\_\_ URGENT \_\_\_ CONFIDENTIAL \_\_\_ REPLY REQUESTED

**MESSAGE:**

COMMAND #163

STATUS  
OK.

**P. O. BOX 2267  
4000 N. BIG SPRING ST., SUITE 500  
MIDLAND, TEXAS 79705  
(915) 686-3600**

FAX NO: 915 - 686 - 3773

     URGENT         CONFIDENTIAL         REPLY REQUESTED

**MESSAGE:**

## 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:

John Owens and Cynthia Owens  
4618 5<sup>th</sup> Street  
Lubbock, Texas 79416

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

John Owens 8/24/92

C. Signature

X  ☐ Agent ☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf 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 (Copy from service label)

7000 0520 0020 9193 8611

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

## 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:

David Petroleum Corp. et al  
116 W. First Street  
Roswell, New Mexico 88203  
Attention: Edward N. David

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Bari Bellucini 8-26-02

C. Signature

X  ☒ Agent ☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf 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 (Copy from service label)

7000 0520 0020 9193 8598

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

## 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. et al  
105 South 4th Street  
Artesia, New Mexico 88211  
Attention: Kathy Porter

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

PATTI CARLILE AUG 26 2002

C. Signature

X  ☐ Agent ☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf 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 (Copy from service label)

7000 0520 0020 9193 8604

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



UNITED STATES POSTAL SERVICE

MIDLAND/DDESSA TX 797 08/27/02

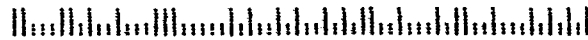
First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

EOG Resources, Inc.  
John's Hopper #2 Well  
Attn: Patrick Tower  
P. O. Box 2267  
Midland, Texas 79702

RECEIVED  
AUG 27 2002  
LAND DEPT.

99



UNITED STATES POSTAL SERVICE

MIDLAND/DDESSA TX 797 08/27/02

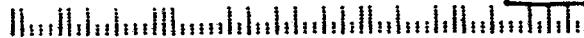
First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

EOG Resources, Inc.  
John's Hopper #2 Well  
Attn: Patrick Tower  
P. O. Box 2267  
Midland, Texas 79702

RECEIVED  
AUG 27 2002  
LAND DEPT.

99



UNITED STATES POSTAL SERVICE

First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

EOG Resources, Inc.  
John's Hopper #2 Well  
Attn: Patrick Tower  
P. O. Box 2267  
Midland, Texas 79702

RECEIVED  
AUG 26 2002  
LAND DEPT.

99



**LDM ASSOCIATES**  
116 West First Street  
Roswell, New Mexico 88203

William B. (Bill) Owen, CPL  
Land Manager

505-623-8800

**FACSIMILE TRANSMITTAL**  
505-623-1801

DATE: 8-27-02TO: PAT TOWENFROM: BILL OWENFAX#: 915-686-3773PAGES TO FOLLOW: 1RE: John's Hopper #2

## MESSAGE:

PAT -PER OUR CONVERSATION

CC: \_\_\_\_\_

## III. Percentage Interests of Parties Under the Agreement:

Yates Petroleum Corporation	32.6900%
Yates Drilling Company	4.6700%
Abo Petroleum Corporation	4.6700%
Myco Industries, Inc.	4.6700%
David Petroleum Corporation	22.6000%
McMillan Production Company	8.4730%
McMillan Ventures, LLC	10.6600%
Permian Exploration Corporation	9.5670%
Keith E. McKamey	0.2500%
William B. Owen	0.2500%
Edward N. David	0.5000%
Michael A. McMillan and Teresa L. McMillan, Husband & wife	<u>1.0000%</u>
	100.0000%

COMMAND #207

DATE TIME TO/FROM MODE MIN/SEC PGS STATUS  
001 9/12 09:23 5057484572 EC--S 01"38 004 OK

FAX

EOG RESOURCES, INC.

P. O. BOX 2267  
4000 N. BIG SPRING ST., SUITE 500  
MIDLAND, TEXAS 79705  
(915) 686-3600

DATE: 9/12/2002	NO. PAGES: 1
TO: ROBERT BULLOCK	COMPANY: YATES
	TELE NO:
	FAX NO: 505-748-4351
FROM: PATRICK TOWER	TELE NO: 915-686-3758
	FAX NO: 915 - 686 - 3773

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☐ URGENT ☐ CONFIDENTIAL ☐ REPLY REQUESTED

MESSAGE: PER OUR CONVERSATION ON THE JOHN'S HOPPER 30 #2

(COPY OF STUBBEMAN LETTER OPINION  
DATED 9/5/02 ON JOA/ TOP  
LEASE → WI #'S)