



BP
Permian Performance Unit
501 Westlake Park Blvd
WL1 – Room 6.199
Houston, Texas 77079

March 6, 2002

Jerry A. Weant
d/b/a BEVOIL
P.O. Box 7201
Midland, Texas 79708

Re: B & C Federal Lease
Township 20 South, Range 27 East
Section 25
Eddy County, New Mexico

Dear Sir:

This letter is in response to your 27 February 2002 inquiry.

Additional drilling equipment was not available during our 2001 program. The Nabors' USA #142 rig was used continuously on the following schedule:

Jaguar Federal 26 #1 – spud 4/2/01
Little Box State #5 – spud 6/1/01
Hilltop Federal #2 – spud 7/13/01
B & C Federal 25 #2A – spud 9/14/01

Atlantic Richfield Company elected to go non-consent under the well proposal submitted by BEVOIL, dated 1 August 2000. (B & C Federal 25 #2 well, 660' FNL, 2,310' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico). Partners were notified on 31 October 2000 that Nadel and Gussman Permian, LLC had been designated Operator of this well. As a non-consent party under this proposal, we did not receive correspondence from the operator.

Atlantic Richfield Company spud the Little Box State #5 well on 1 June 2001 (1,980' FNL, 1,980' FEL, Section 36, Township 20 South, Range 21 East, Eddy County, New Mexico). This well was completed on 1 September 2001, encountering Lower Morrow sand production and establishing new reserve potential for the area. The information obtained from drilling this well changed our mapping in the area, making the North-half of Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico prospective in our opinion.

BEFORE THE OIL CONSERVATION
DIVISION

Santa Fe, New Mexico

Case Nos. 12967 and 12968 Exhibit No. 10

Submitted by: Trilogy Operating Inc.

Hearing Date: January 9, 2003

We contacted the operator. They did not have a rig contracted, therefore, we moved to terminate the existing proposal. Details are listed in your letter dated 17 January 2002.

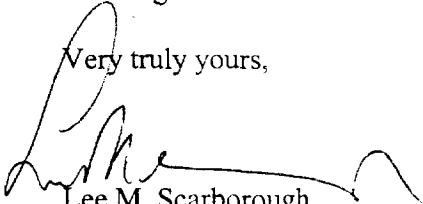
A working interest owners' meeting was held in Houston on 5 September 2001. It was requested by the working interest owners that drilling costs be contained or release the Nabors' rig.

The B & C Federal 25 #2A well (660' FSL, 1,980' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico) was spud on 14 September 2001. Drilling costs were not held to an acceptable level and the Nabors' rig was released. All locations held in the drilling queue terminated with the release of this rig.

Historically, if a party went non-consent, a second ballot was sent to the consenting parties. A list of consenting owners should have been distributed to the partners, and I apologize for that lapse.

The location of the B & C Federal 25 #3 well (1,600' FNL, 1,050' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico) was selected to optimize the chance of hitting the existing morrow channel and lower morrow channel previously found in the Little Box State #5 well and the B & C Federal 25 #2A well. My statement that, "this location has changed numerous times as additional subsurface data was received and evaluated," was referring to our internal review and evaluation process. I apologize for the confusion.

Very truly yours,



Lee M. Scarborough
Landman

/sm

cc: Bradley McKim

JERRY A. WEANT
D/B/A BEVOIL
P.O. BOX 7201
MIDLAND, TEXAS 79708

915-686-2027
915-686-2040

FAX

February 27, 2002

BP America Production Company
P.O. Box 3092
Houston, Texas 77253-3092

Attn: Mr. Lee Scarborough

Re: B&C Federal Lease
Section 25, T-20-S, R-21-E,
Eddy County, New Mexico

Dear Sir:

Thank you so much for your letter dated January 17, 2002. I appreciate BP finally taking the time to advise me of what has transpired over the past year and a half regarding the development of the subject lease.

However, I still have a couple of questions that have not been answered by your letter or the February 21, 2002, Operator's meeting. I will list them below and would appreciate BP providing an answer to same.

1. Under what provision of the Operating Agreement governing the subject lands did BP, as Operator, perpetuate the drilling of the B&C 25 #2A after its proposal lapsed due to lack of operations? According to my records, the B&C 25 #2A was proposed on October 26, 2000. Allowing approximately 10 days for delivery, the 120 day period to commence operations for drilling expired on about March 6, 2001. By BP's own admission, the B&C 25 #2A was spud on September 14, 2001. By my calculations, that is approximately 323 days after the well was proposed.
2. Given the time frame discussed in number 1 above, why was my first and second proposals to drill the B&C 25 #2 well allowed to lapse due to lack of drilling operations? Both times, I received letters from BP advising me that the 120 day provision under the Operating Agreement had lapsed.

3. With respect to number 2 above, why was the B&C 25 #2A not repropose due to lack of operations?

4. Article VI. B. 2., Operations by Less than All Parties, states that the Operator, immediately after the expiration of the applicable notice period, SHALL advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Based upon conversations between BP and Non-Operators, no indication was ever given to lead me to conclude that this location would not be drilled. BP's actions speak volumes. A letter or phone call to discuss that you would like to move the proposed location would have been appreciated. As Operator, you failed to follow through on your duty. BP allowed its interest as a working interest owner to dictate how the lease should be developed. The Operating Agreement does provide that the Operator, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision. Please tell me when BP followed any of the provisions outlined herein?

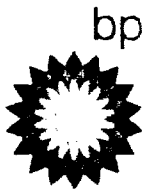
5. I have spoken with the BLM regarding the location I proposed. It was approved on June 18, 2001. Your statements about the location being changed numerous times was not correct. The BLM did advise me that BP was having trouble staking a standard location for its B&C 25 #3 well. Why did you not correctly spell this information out in your letter?

BP's position can be summed up by your own words, "Prudent, measured step-outs, based upon subsurface and engineering data obtained as each well is drilled and evaluated has been the focus of our operations". While that may be a sound policy for BP, it does not give BP carte blanche to disregard the contractual rights of Non-Operators. I appreciate BP's concern for my financial well being, but BP is being paid to operate the lease under the terms of the Operating Agreement. I trust BP will be equally understanding when Trilogy Operating, Inc. operates and develops its Mad Max Prospect in Section 24, T-20-S, R-21-E, Eddy County, New Mexico.

Yours very truly,

Jerry A. Weant
d/b/a BEVOIL

cc: Mr. Bradley S. McKim
BP America Production Company
501 West Lake Park Blvd.
Houston, Texas 77079



BP
Permian Business Unit
200 Westlake Park Blvd 77079
WL4 - Room 251
Houston, Texas 77079

January 17, 2002

CERTIFIED RETURN RECEIPT REQUESTED

BEVOIL
P. O. Box 7201
Midland, Texas 79708

ATTN: Mr. Jerry A. Weant

Dear Sir:

This letter is in response to your electronic mail dated 9 January 2002.

Atlantic Richfield Company elected to go non-consent under the well proposal submitted by BEVOIL, dated 1 August 2000. (B&C Federal 25 #2 Well, 660' FNL, 2,310' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico). Partners were notified on 31 October 2000 that Nadel and Gussman Permian, LLC had been designated Operator of this well. The operator moved the location, citing proximity to a road, unorthodox as originally proposed and discussions with the Bureau of Land Management, to 1,310' FNL, 1,980' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico. (Letter and permit announcement attached)

Atlantic Richfield Company spud the Little Box State #5 Well on 1 June 2001 (1,980' FNL, 1,980' FEL, Section 36, Township 20 South, Range 21 East, Eddy County, New Mexico). This well was completed on 1 September 2001, encountering lower Morrow sand production and establishing new reserve potential for the area.

On 14 June 2001, BEVOIL received notice from Atlantic Richfield Company that their proposal (which Atlantic Richfield Company was non-consent) to drill the B&C Federal 25 #2 Well had terminated. (Copy attached) At BEVOIL's request, a second proposal went out, dated 20 June 2001, for the B&C Federal 25 #2 Well (1,310' FNL, 1,980' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico).

During this timeframe, the rig market was tight and costs were escalating. Atlantic Richfield Company had a drilling contract with the Nabors USA #142 rig. The Hilltop Federal #2 Well (2,310' FSL, 660' FWL, Section 1, Township 21 South, Range 21 East, Eddy County, New Mexico) was spud on 13 July 2001.

A working interest owners meeting was held in Houston on 5 September 2001. It was requested by the working interest owners that drilling costs be contained or release the Nabors rig.

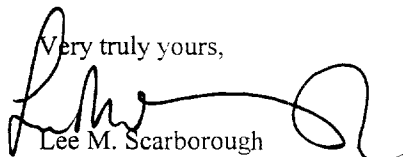
The B&C Federal 25 #2A Well (660' FSL, 1,980' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico) was spud on 14 September 2001. Drilling costs were not held to an acceptable level and the Nabors rig was released. This well tagged about 10' of the deeper Morrow channel.

The location of the B&C Federal 25 #3 Well (1,600' FNL, 1,050' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico) was selected to optimize the chance of hitting the existing upper Morrow channel and lower Morrow channel recently found in the Little Box State #5 Well and the B&C Federal 25 #2A Well. (Plat attached) This location has changed numerous times as additional subsurface data was received and evaluated. Our field personnel have involved the Bureau of Land Management throughout this process in an effort to streamline the permit approval process. The Bureau in this area has afforded us an inordinate amount of time as we try and define the channel system, resulting in a verbal approval of our location on 6 December 2001.

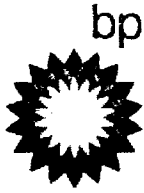
Having been involved in the discovery of this field, I am sure you are aware of the delicate balance required to operate in this area. Permitting issues, rig schedules, partner demands, State and Federal protocol are just some of the challenges that must be met. Prudent, measured step-outs, based on subsurface and engineering data obtained as each well is drilled and evaluated has been the focus of our operations. Risk, economics, reservoir pressures, field drainage, waste prevention, orderly field development and protection of correlative rights are also factors that we, as operator, must consider as each well is proposed and drilled. As you look at the progression of drilling, you will find that we have made every effort to balance your demands with those other factors required of us as prudent operators.

Finally, ethical conduct is a core tenant of the BP organization. Any accusation of a breach of BP's Ethical Conduct Policy is taken seriously. Your electronic mail has been forwarded to BP's legal department. If you still have doubts about BP's ethical handling of this field, I must insist that you direct all further contact and/or correspondence to the following:

BP America Production Company
501 WestLake Park Blvd.
Houston, Texas 77079
Attn: Mr. Bradley S. McKim

Very truly yours,

Lee M. Scarborough
Landman

cc: Mr. Bradley S. McKim
BP America Production Company
501 WestLake Park Blvd.
Houston, Texas 77079



BP
Permian Business Unit
200 Westlake Park Blvd 77079
P.O. Box 4587 (WL4-251)
Houston, Texas 77210-4587

December 11, 2001

Jerry A. Weant
d/b/a BEVOIL
P.O. Box 7201
Midland, Texas 79708

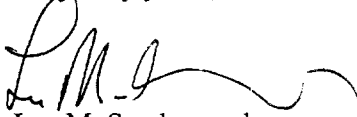
Re: B&C Federal; 25 #3 Well
Township 20 South, Range 21 East
System 25: N2
Eddy County, New Mexico

Dear Jerry,

The referenced well was proposed by you on June 20, 2001. Operations have not begun, and this proposal has therefore terminated.

Atlantic Richfield Company has made a subsequent proposal, which you should receive shortly. Topography and archaeological issues continue to be a problem in this area, however, we have a location staked which has been approved by the BLM. I will forward a copy of the approved APD as soon as we receive it.

Very truly yours,



Lee M. Scarborough
Landman

/sm

JERRY A. WEANT
D/B/A BEVOIL
P.O. BOX 7201
MIDLAND, TEXAS 79708

915-686-2027

FAX 915-686-2040

October 16, 2001

BP Amoco
P.O. Box 4587
Houston, Texas 77210-4587

Attn: Lee Scarborough

Re: B&C Federal Lease
Section 25, T-20-S, R-21-E,
Eddy County, New Mexico

Dear Lee:

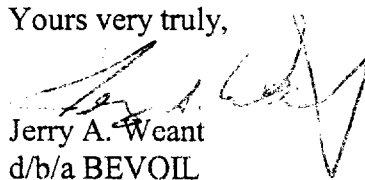
I have received your October 16, 2001, letter proposing to complete the B&C Federal 25 #2A well. I have a question regarding this proposal which is, under which proposal was this well drilled?

According to my records, the only proposal I received for this well was dated October 26, 2000. I have not received any others. Our Operating Agreement states that we have 30 days after receipt of such proposal to elect to participate. I sent my approval in on December 1, 2000, which was within 30 days after my receipt. According to the Operating Agreement, BP then had 90 days to commence drilling operations on said well. This well was not spud until September 14, 2001, well after the expiration of the 90 day drilling period.

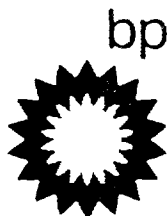
Under your letter dated June 12, 2001, you advised that our proposal to drill the B&C Federal 25 #2 well in the N/2 of Section 25, had expired due to lack of operations beginning. I re-proposed this well under a letter dated June 14, 2001, and BP forwarded this proposal out on June 20, 2001. Additionally, in my June 14, 2001, letter, I stated that the B&C Federal 25 #2A proposal should also have expired due to no operations beginning. I did not receive any response to my inquiry.

To date, I have not received any information regarding the new B&C Federal 25 #2 proposal. BP went non-consent on the first round, did they consent to the 2nd proposal? I have contacted Nadel & Gussman, and they do not have any information either. As Operator, BP is obligated to act in good faith on this proposal. To date, I question if that has been the case. If BP is attempting to delay or prevent the drilling of a proposed well, then I contend they should resign as Operator for failure to carry out their contractual obligations. Please address the issues stated in this letter and let me know what BP, as Operator, is planning to do to fulfill its duty as Operator to drill the proposed well.

Yours very truly,


Jerry A. Weant
d/b/a BEVOIL

7/2/01



BP America, Inc.
200 Westlake Park Blvd.
Permian BU
2nd Floor - W4 Room 241A
Houston, Texas 77079

June 20, 2001

To: Working Interest Owners
List Enclosed

Certified Mail

Re: B&C Federal 25 #2 Well
BALLOT

Atlantic Richfield Company, as Operator, received a proposal for the drilling of a well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 8,300', at a location described as 1,310' FNL, 1,980' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico. This well was originally proposed on August 25, 2000, 660' FNL, 2,310' FEL, Section 25, Township 20 South, Range 21 East. Operations were not commenced within the required time frame.

Should you desire to participate in the drilling of this well, please return an executed copy of the enclosed Authorization for Commitment to the undersigned at your earliest convenience. Article VI.B.1 of the Operating Agreement, dated January 1, 1997, allows each party thirty (30) days after receipt of the Operator's notice within which to notify the operator whether they elect to participate in the cost of the proposed operations.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lee M. Scarborough".

Lee M. Scarborough, Landman
281-366-3700 (phone)
281-366-7060 (fax)

A handwritten signature in black ink, appearing to read "Gary Smallwood".

for Gary Smallwood, Engineer
281-366-3692 (phone)
281-366-7060 (fax)

10/15/01 - Called to inquire
about well

Lee,

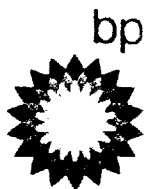
I am in receipt of your June 12, 2001, letter advising us that our original proposal has expired under the terms of our Operating Agreement. Nadel & Gussman has failed to fulfill their responsibilities as Operator of this well. They allowed the time period to lapse in order to promote their proposal. We now submit to BP, Operator, our new proposal to drill the B&C Federal 25 #2 well to a depth sufficient to test the Morrow formation or a depth of 8,300 feet, whichever is the lesser, at a location of 1980' FEL and 1310' FNL of Section 25, T-20-S, R-21-E, NMPM, Eddy County, New Mexico. **As Operator, you have 10 days to submit this proposal to our partners.** Trilogy now desires to operate this well in the event BP elects not to participate. Nadel & Gussman has shown by their past efforts that they do not intend to drill this well prior to drilling their desired location.

We additionally believe that the B&C Federal 25 #2A proposal has also lapsed due to failure to commence drilling operations on same in the required time frame. Also the Josey Federal 30 #1 should have or will shortly lapse due to failure to commence drilling operations. Please advise us of BP plans to develop this acreage.

Jerry Weant
Trilogy Operating, Inc.

Sent 6/14/01

10/16/2001



BP
Permian Business Unit
200 Westlake Park Blvd 77079
P.O. Box 4587 (WL4-241A)
Houston, Texas 77210-4587

June 12, 2001

Certified Mail

BEVOIL
P.O. Box 7201
Midland, Texas 79708-7201
Attn: Jerry A. Weant

Re: Well Proposal
B & C Federal 25 #2
Township 20 South, Range 21 East
Section 25: N2
Eddy County, New Mexico

Dear Jerry,

The referenced well was proposed by you on August 1, 2000. A recent review of the area indicated that operations have not begun. Under the terms of our operating agreement, this proposal has therefore terminated.

Please resubmit your well proposal to Atlantic Richfield Company as operator. We have a rig currently drilling in the area and can work this location in to our drilling schedule.

Yours very truly,

A handwritten signature in black ink, appearing to read "Lee M. Scarborough".

Lee M. Scarborough
Landman

/sm

Attachments

1950 FEL
1310 FNL

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (915)682-4429

Fax: (915)682-4325

February 21, 2001

VIA FACSIMILE

*OK under current
AFE - we will
waiver*

BP
Permian Business Unit
501 Westlake Park Blvd.
P.O. Box 3092
Houston, Texas 77253-3092
Attn: Mr. Lee M. Scarborough

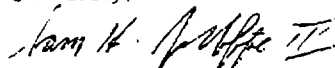
Re: B&C Federal 25 #2
NE/4 Section 25, T-20-S, R-21-E
Eddy County, New Mexico

Dear Lee:

As follow up to our previous conversations, Nadel and Gussman Permian, LLC ("NGP") still intends to drill the captioned well as soon as possible. NGP was elected Operator for this particular well due to BP's non-consent election. As you aware, the original location submitted by Stevens & Tull, et al (660' FNL & 2,310' FEL Section 25) is unorthodox as currently proposed. Said location is also to close to the paved road in the NW/4 NE/4. We have met with the BLM on location, and the location must be moved south a significant distance to the south to allow for pad construction.

You had advised that BP would most likely waive any rights to participate in any re-proposed locations in the NE/4 Section 25. NGP respectfully requests your formal consent as to this particular waiver. Please sign, date and return a copy of this letter to the undersigned indicating your consent. Please advise if you have any questions. Thank you for your prompt attention to this matter.

Sincerely,

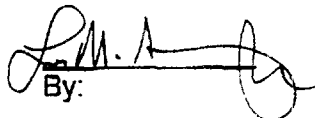


Sam H. Jolliffe IV
Land Manager

ATLANTIC RICHFIELD COMPANY

~~BP Amoco~~ hereby waives any further elections to participate in any re-proposed locations in the NE/4 Section 25, T-20-S, R-21-E, Eddy County, New Mexico, under the current AFE.

~~BP Amoco~~ ATLANTIC RICHFIELD COMPANY

By: 

NADEL AND GUSSMAN PERMIAN, LLC

601 N. Marienfeld, Suite #508

Midland, Tx 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

January 4, 2001

To: Working Interest Owners

From: Nadel and Gussman Permian, LLC

RE: B&C Federal 25 #2 Well

660' FNL & 2310' FEL, Section 25

T-20-S, R-21-E, NMPM,

Eddy County, New Mexico

Nadel and Gussman Permian, LLC has staked the above well in the proposed location. As can be seen from the attached plat, the location is less than 100' from the paved road and the pad would be on the road. The BLM will not approve this location. We will meet with BLM Personnel to determine where they would approve an alternate location.

Sincerely,



Scott H. Germann

Exploration Manager, Partner

ATLANTIC RICHFIELD COMPANY

Post Office Box 4587
Houston, Texas 77210-4587
(281) 366-3700

October 31, 2000

**FAX
CERTIFIED MAIL**

To: Working Interest Owners
(Addressee List Attached)

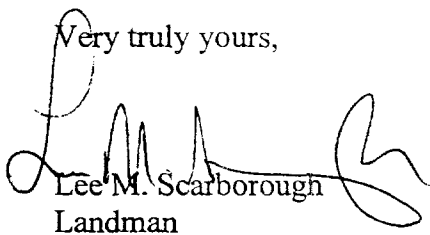
Re: B&C Federal 25 #2 Well
Township 20 South, Range 21 East
Section 25: 660' FNL, 2, 310' FEL (N2)
Eddy County, New Mexico

The following Consenting Party has been designated as Operator of the referenced well:

Nadel and Gussman Permian, LLC
601 North Marienfeld, Suite 508
Midland, Texas 79701
915-682-4429 (office)
915-682-4325 (fax)
Samuel H. Jolliffe, IV – Land Manager

Article VI.2 of the relevant operating agreement lists the details of operations by less than all parties.

Very truly yours,


Lee M. Scarborough
Landman

LMS/kl

JERRY A. WEANT
P.O. BOX 7201
MIDLAND, TEXAS 79708
915-686-2027
FAX 915-686-2040

TO: Andrews & Cochran, LLC, Bob Stevens d/b/a SOCO, Geronimo Holding Corporation, Wesley K. Noe, C.C. Tull, Jr., George Knox, Doralex Energy, Inc., Sutherland Family, L.L.C., Doug Tull, Pogar Petroleum, Ltd., Nadel and Gussman Permian, L.L.C., and Atlantic Richfield Company (BP)

RE: B&C Federal 25 #2 Well
660' FNL & 2310' FEL Section 25,
T-20-S, R-21-E, NMPPM,
Eddy County, New Mexico

Date: October 6, 2000

FAX TRANSMITTAL COVER

MESSAGE: Reference is made to Lee Scarborough's letter dated October 5, 2000, advising each of us of the non-consent interest in the captioned well. In said letter, Lee advised that the subject location was unorthodox. At the time of the original proposal, it was my understanding that the B&C Federal 25 #1 well was a lay down S/2 proration unit. In fact, I have verified through the records that this well was designated as a S/2 proration unit in the Little Box Morrow Gas Pool. In light of that information, the proposed location is not an unorthodox location.

Therefore, I consider the only valid proposal before all the non-operators is the opportunity to acquire your share of the non-consent interest as prescribed in the Operating Agreement in the original well proposal. Nadel and Gussman, L.L.C. can not proposed a substitute well. If Nadel and Gussman desires to drill another location, then they must propose the well as a subsequent well under the Operating Agreement. The options given in the Arco letter are conflicting, and I consider the only election before the partners to be your opportunity to pick up your share of the non-consent interest in the original proposal. As Operator, Arco should send out a separate proposal for any additional wells proposed by a non-operator. The time period for responding to picking up additional interest is correct, and each of you should act accordingly.

Unless substantiating information contradicting the above is presented, I intend to pursue the captioned location as my only alternative as of this date. Should any of you desire to discuss this further, please contact me.

August 25, 2000

To: Working Interest Owners
List Enclosed

FAX/Certified Mail

Re: B&C Federal 25 #2 Well
BALLOT

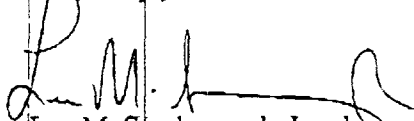
Atlantic Richfield Company, as Operator, received a proposal for the drilling of a well to a depth sufficient to adequately test the Morrow formation, anticipated total depth being 8,400', at a location described as 660' FNL, 2,310' FEL, Section 25, Township 20 South, Range 21 East, Eddy County, New Mexico.

Should you desire to participate in the drilling of this well, please return an executed copy of the enclosed Authorization for Commitment to the undersigned at your earliest convenience. Article VI.B.1 of the Operating Agreement, dated January 1, 1997, allows each party thirty (30) days after receipt of the Operator's notice within which to notify the operator whether they elect to participate in the cost of the proposed operations.


Please note Operator's address and telephone number changes listed below:

BP
Permian Business Unit
501 Westlake Park Blvd.
P. O. Box 3092 (WL4-241A)
Houston, Texas 77253-3092

Very truly yours,



Lee M. Scarborough, Landman
281-366-3700 (phone)
281-366-7060 (fax)



Gary Smallwood, Engineer
281-366-3692 (phone)
281-366-7060 (fax)

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:

BP
P.O. Box 3092
Houston, TX 77253

COMPLETE THIS SECTION ON DELIVERY

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

08-03-00 10:30 AM

C. Signature

X [Signature] ☐ 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)

7099 3220 0005 7563 54/2

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

Re: Well Proposal
B&C Federal 25 No. 2 Well
2310' FEL & 660' FNL Sec. 25,
T-20-S, R-21-E, NMPM,
Eddy County, New Mexico

Dear Lee:

As provided in our Operating Agreement covering the captioned lands, we hereby propose the drilling of the captioned well to a depth of 8,400 feet or a depth sufficient to test the Lower Morrow Channel, whichever is the lesser, at the location provided above. BP, as Operator of the captioned acreage, is required under the terms of said Operating Agreement to propose the subject well to all the working interest owners.

We therefore request that you prepare and route AFE's for said well to each working interest owner. In the event BP elects to participate and operate said well, we request that you discuss the drilling and completion procedures with us. We have some concerns as to the work performed by Sierra on the previous wells drilled in this area. As an alternative, Trilogy Operating, Inc., formerly Stevens & Tull, Inc., would like to offer its services in drilling and completing the captioned well based upon our prior success in this area. Should you have any questions, please contact me.

Yours very truly,

[Signature]
Jerry A. Weant, d/b/a BEVOIL

[Signature]
Wesley K. Noe

Correspondence: Sweet Thing: B&C Fed 25 #2