

January 15, 2003

Snyder-Flood Trust and Estate of Anne Snyder
c/o Wells Fargo Bank, Trustee
Attn: Trust Department
P.O. Box 1959
Midland, Texas 79702

Re: Selman #1 Well
NW/4 SE/4 Section 11,
T-19-S, R-38-E, NMPM,
Lea County, New Mexico
Selman Prospect

Gentlemen:

Trilogy Operating, Inc. is interested in leasing your undivided 1/384 mineral interest under the E/2 SW/4 and SE/4 of Section 11, T-19-S, R-38-E, Lea County, New Mexico. We are prepared to purchase this lease for \$50.00 per net mineral acre for a six (6) month term, 1/4 royalty and a 180 day continuous development clause.

Our Selman #1 well will be drilled at a legal location in the NW/4 SE/4 of Section 11, T-19-S, R-38-E, Lea County, New Mexico to a depth of approximately 9,000 feet or a depth, in our opinion, sufficient to test the Silurian formation. We plan to spud this well around the first of February, 2003. We have also enclosed a copy of our AFE for said well. Under New Mexico law, you currently have three options, which are as follows:

1. Lease your mineral interest.
2. Join in the drilling of the well with your full mineral interest.
3. If you do not elect either option 1 or 2, we can have your mineral interest pooled in accordance with the rules and regulations of the New Mexico Oil Conservation Division.

As you are aware, option No. 3 typically subjects your mineral interest to a 1/8th royalty and a risk factor assessed by the Division. The risk factor would allow us to recoup up to costs plus 200% of the costs to drill and complete the well plus 100% of the costs to operate the well during such recoupment period. After that, you would become a participant in the well for your full mineral interest and be subject to an Operating Agreement previously approved by the Division.

For your information, we are beginning the Compulsory Pooling procedures since we already have a couple of mineral owners who cannot be located.

We are still willing to lease your interest; however, based upon prior negotiations, we cannot accept your standard lease form. We intend to subject your interest to the Compulsory Pooling process to protect our rights for the drilling of this well. If we reach an agreement, we will simply notify the Division and have your interest removed. Should you have any questions, please contact me.

Yours very truly,

Jerry A. Weant, CPL
President

Correspondence: Selman: Wel

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.	A. Received by (Please Print Clearly) _____ B. Date of Delivery <u>1-22-03</u>
1. Article Addressed to: <p style="text-align: center;">Wells Fargo Bank P.O. Box 1959 Midland, TX 79702</p>	C. Signature <u>Ansie Choe</u> <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No
2. Article Number (Copy from service label) <u>7000 0520 0020 9191 6626</u>	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes