

PLATINUM EXPLORATION INC.
550 WEST TEXAS AVENUE, SUITE 200
MIDLAND, TEXAS 79701
OFFICE (432) 687-1664 • FAX (432) 687-2853

August 1, 2005

Ms. Karen Sharp
Oil Conservation Division-State of New Mexico
P.O. Box 1980
Hobbs, New Mexico 88241

RE: S & J-T. D. Pope Lease
S/2 Section 26; E/2 Section 35;
T14S, R37E, NMPM, Lea County,
New Mexico

Dear Ms. Sharp:

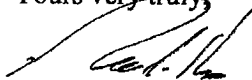
Pursuant to our telephone conversation regarding the above referenced lands, please be apprised that Platinum Exploration Inc. entered into a Farm-out Agreement with S & J Operating Company, et al, covering the above referenced lands, whereby Platinum has the right to re-enter and/or drill wells on said lands to be completed in the Devonian formation. A copy of the Farm-out Agreement is attached hereto for your information and records. As soon as two title documents, which are presently being recorded in the Official Public Records of Lea County, New Mexico, are returned to Platinum's offices, S & J Operating Company, et al, will execute assignments of all of their right, title and interest in and to all of the S/2 of Section 26 and all of the E/2 of Section 35, both in T14S, R37E, Lea County, New Mexico, as to the Devonian formation only.

Should you need verification of the above Farm-out Agreement, please feel free to contact Mr. Peyton Carnes, Jr. with S & J Operating Company at (940) 723-8113.

I understand you have talked with Julie Figel of our office concerning the plats you needed on the "26" and "35" wells, and she will fax them to you tomorrow.

Thank you for your kind assistance, and should there be further information needed regarding the above matter, or should there be other problems, please feel free to contact the undersigned.

Yours very truly,



Ron J. King
Landman

FARMOUT AGREEMENT

THIS AGREEMENT, is made and entered into effective that date set forth below, by and between S&J OPERATING COMPANY, J & N PROPERTY CO., LTD., STEPHENS PARTNERSHIP CO., LTD., TED H SMITH, JR., PEYTON S. CARNES, JR., THOMAS PENDLETON STEPHENS AND MAX ROBERT VORDENBAUM, hereinafter collectively referred to as "Farmor", whose address is c/o Stephens & Johnson Operating Company, P.O. Box 2249, Wichita Falls, Texas 76307, and PLATINUM EXPLORATION INC., hereinafter referred to as "Farmee", whose address is 550 W. Texas, Suite 200, Midland, Texas 79701.

WHEREAS, Farmor is the owner of undivided interest in and to those Oil and Gas Leases (the "Leases"), described in Exhibit "A" attached hereto and made a part hereof for all purposes;

WHEREAS, Farmee proposes to earn an interest in the Leases, insofar as said Leases cover the following described lands, hereinafter referred to as the "Farmout Lands", under the terms and conditions as set forth below:

Insofar and only insofar as said leases cover the South-Half (S/2) of Section 26, the East-Half of the East-Half (E/2E/2) of Section 27, and the East-Half (E/2) of Section 35, all in Township 14 South, Range 37 East, N, M.P.M., Lea County, New Mexico, as to the Devonian formation only.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

1. **INITIAL TEST WELL:** On or before 120 days from the date of execution of this Agreement by Farmor, Farmee will commence, or cause to be commenced, the re-entry of an existing wellbore (from those wells provided for in Paragraph 9. hereof, and as shown in Exhibit "A"), or the drilling of a well, the "Initial Test Well, at a location of its choice on the Farmout Lands, said well to be drilled in a proper and workmanlike manner to a depth of 12,250 feet, or to a depth sufficient to test the Devonian formation, whichever is the lesser depth.
2. **CONTINUOUS DEVELOPMENT-MUTIPLE OPTION WELLS:** Farmee is granted the option to continue re-entering existing wellbores, or drilling new wells on the Farmout Lands with not more than one hundred eighty (180) days between the completion (the date that Form 1-105 is filed with the New Mexico Conservation Commission, or thirty (30) days after the date of drilling rig release, whichever is the earlier date) of any one well and commencement of actual drilling of the next succeeding well until the Farmout Lands have been fully developed, with not more than one (1) well on each drilling unit, as prescribed by the applicable regulatory authority. Any well re-entered or drilled under the provisions of this section shall be referred to as an Option well and each Option well shall be drilled in a proper and workmanlike manner to a depth sufficient to test the Devonian formation. Should Farmee commence an Option Well in less than 180 days from the date of completion of the last preceding well, the balance of unused time shall be added to the time in which Farmee has to commence actual drilling of the next succeeding well.
3. **SUBSTITUTE WELL:** In the event any well is lost for any reason prior to being drilled to a depth sufficient to test the Devonian formation, or if Farmee has encountered during the drilling of a well, mechanical difficulty, or formation, or condition which would render further drilling impracticable or impossible, Farmee may plug and abandon such well and thereafter may continue its rights hereunder by commencing a Substitute Well (or Wells) for any such well which has been lost or abandoned, within ninety (90) days from the date the prior well was lost or abandoned. Any Substitute Well drilled shall be drilled subject to the same terms and conditions and to the same depth as provided for the well so lost or abandoned. Any reference in this agreement to the Initial Test Well or any Option Well shall be deemed to be a reference to any well which may be drilled as a Substitute Well therefor.
4. **EARNED ASSIGNMENT:** Upon receipt of Farmee's written request, and as soon as practicable after Farmor is satisfied that Farmee has complied with all of its obligations (including, but not limited to, all geological requirements as set forth in Exhibit "B" attached hereto) under this agreement, with regard to the completion of a well as a producer of oil and/or gas in paying quantities, Farmor shall deliver to Farmee an assignment of all of its interest in and to the Leases, insofar as said leases cover the Devonian formation, and insofar as said leases cover the producing unit of the completed well. In such assignment, Farmor shall reserve unto itself an overriding royalty interest equal to the difference between twenty-two and one-half percent (22.5%) of all oil and/or gas produced, saved and marketed and all outstanding lease burdens of record as to the date of this agreement.

Page 2.
Farmout Agreement

5. PROPORTIONATE REDUCTION: If the Leases described in this agreement cover less than the full leasehold estate in any lands described in such Leases, or if Farmor's interest in such Leases is less than the full leasehold estate, then the overriding royalty interest reserved out of production shall be payable in the proportion that Farmor's interest bears to the full leasehold interest estate in said lands.

6. ABANDONMENT OF WELLS: In the event any well is completed as non-productive of oil and/or gas in paying quantities, or ceases production for any reason, Farmor shall immediately give Farmor written notice of the proposed plugging and abandonment of that well. Farmor shall have fifteen (15) days after receipt of written notice within which to elect to take over the well for the purpose of conducting additional operations as it desires; except, that if a drilling rig is on location, notice to plug and abandon may be given by telephone or electronic facsimile and Farmor's response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday and legal holidays. If Farmor fails to advise Farmee of its election within the prescribed period of time, the well shall be plugged and abandoned by Farmee. If electing to do so, Farmor shall have the right to take over such well, and pay to Farmee the reasonable salvage value for material and equipment in and on the well, less the cost of salvaging, and acquire the well for Farmor's own use and purposes.

All notices provided for herein shall be given to the parties hereto at the following:

Stephens & Johnson Operating Company
P.O. Box 2249
811 6th Street, Suite 300
Wichita Falls, Texas 76307-2249
Attention: Mr. Peyton S. Carnes, Jr.
Tel. No: (940) 723-2166
Fax. No.: (940) 723-8113
Email address: PCARNES@SJO.C.NET

Platinum Exploration Inc.
550 W. Texas Avenue, Suite 200
Midland, Texas 79701
Tel. No.: (432) 687-1664
Fax. No.: (432) 687-2853
Email address: ronk@t3wireless.com

7. AGREEMENTS AFFECTING FARMOUT LANDS: Except as otherwise provided, Farmee shall be bound by any agreements which affect the Farmout Lands and the Leases covering said lands at the time of assignment to Farmee. Farmor shall not be liable for its good faith failure to disclose the existence or affect of any such agreement to Farmee, either in the this agreement or otherwise.

8. PERMISSION TO ASSIGN: This Farmout Agreement may not be assigned by Farmee without the prior written consent of Farmor. Such written consent shall not be unreasonably withheld.

9. USE OF EXISTING WELLBORES: Farmor has, insofar as it has the right to do so, granted to Farmee the right to re-enter and use six (6) existing wellbores located on the Farmout Lands. Those wellbores and their locations are set forth in Exhibit "A" hereto. As consideration for the use of said wellbores, Farmee hereby agrees, that at such time as it no longer uses or has a use for said wellbores, and subject to the other provisions contained in this agreement it will be responsible for all costs associated with the plugging and abandonment of said wells, including, but not limited to the restoration of the surface to as near its original condition as is practical.

10. REASSIGNMENT: Pursuant to the provisions of Paragraphs 6. and 9 hereof, it is understood that at the time any well drilled or re-entered under the terms of this agreement becomes incapable of producing oil and/or gas in paying quantities, thus becoming noncommercial, or rework operations are not timely commenced, or should rework operations fail and production in paying quantities is not restored, Farmee will, at such time re-assign the Leases, insofar as said Leases cover those lands contained within the producing unit of said well, to Farmor by recordable instrument.

Page 3.
Farmout Agreement

THIS AGREEMENT is executed this 15th day July, 2004, but shall be effective for all purposes as of the last date of execution by Farmers.

FARMORS:

S + J
~~STEPHENS AND JOHNSON~~ OPERATING
COMPANY

By: [Signature]
Name: FRED STEPHENS
Title: PRESIDENT
Date: 8-2-04

J & N PROPERTY CO., LTD.
By: Joe and Nan Management Co., LLC,
Managing Partner

By: [Signature]
Joe L. Johnson, Jr., President
Date: 7-21-04

STEPHENS PARTNERSHIP CO., LTD.

By: Stephens Partners Co., LLC
Managing Partner

By: [Signature]
Fred Stephens, President
Date: 8-2-04

By: [Signature]
TED H. SMITH, JR.
Date: 7/21/04

By: [Signature]
PEYTON S. CARNES, JR.
Date: 7/21/04

By: [Signature]
THOMAS PENDLETON STEPHENS
Date: 7-21-04

By: [Signature]
MAX ROBERT NORDENBAUM
Date: 7/21/2004

FARMEE:

PLATINUM EXPLORATION INC.

By: [Signature]
Michael P. Jobe, Vice President
Date: 7/19/2004

EXHIBIT "A"

To that certain Farmout Agreement dated July 15, 2004, by and between Stephens & Johnson Operating Company, et al, Farmors, and Platinum Exploration Inc., Farmee

OIL AND GAS LEASES:

1. Dated: August 13, 1943
Lessor: T. D. Pope
Lessee: J. E. Simmons
Description: Insofar as said lease covers the S/2 of Section 26, and the E/2 of Section 35, T-14-S, R-37-East, N.M.P.M., Lea County, New Mexico
Recorded: Volume 42, Page 76, Oil and Gas Lease Records, Lea County, New Mexico
2. Dated: November 26, 1947
Lessor: F. G. Langbein, et ux
Lessee: G. M. Shelton
Description: Insofar as said lease covers the S/2 of Section 26, and the E/2 of Section 35, T-14-S, R-37-East, N.M.P.M., Lea County, New Mexico
Recorded: Volume 66, Page 315, Oil and Gas Lease Records, Lea County, New Mexico
3. Dated: December 22, 1947
Lessor: B. D. Buckley, et ux
Lessee: G. M. Shelton
Description: Insofar as said lease covers the S/2 of Section 26, and the E/2 of Section 35, T-14-S, R-37-East, N.M.P.M., Lea County, New Mexico
Recorded: Volume 66, Page 317, Oil and Gas Lease Records, Lea County, New Mexico
4. Dated: January 2, 1948
Lessor: Roy V. Flesh, et ux
Lessee: G. M. Shelton
Description: Insofar as said lease covers the S/2 of Section 26, and the E/2 of Section 35, T-14-S, R-37-East, N.M.P.M., Lea County, New Mexico
Recorded: Volume 66, Page 474, Oil and Gas Lease Records, Lea County, New Mexico
5. Dated: January 2, 1948
Lessor: G. M. Shelton
Lessee: Walter C. Cremin
Description: Insofar as said lease covers the S/2 of Section 26, and the E/2 of Section 35, T-14-S, R-37-East, N.M.P.M., Lea County, New Mexico
Recorded: Volume 66, Page 470, Oil and Gas Lease Records, Lea County, New Mexico
6. Dated: May 27, 1948
Lessor: Earle Payne, et ux
Lessee: Walter C. Cremin
Description: Insofar as said lease covers the S/2 of Section 26, and the E/2 of Section 35, T-14-S, R-37-East, N.M.P.M., Lea County, New Mexico
Recorded: Volume 69, Page 426, Oil and Gas Lease Records, Lea County, New Mexico
7. Dated: February 21, 1949
Lessor: Henry Lange, et ux
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 76, Page 182, Oil and Gas Lease Records, Lea County, New Mexico

Page 2.
Exhibit "A"

8. Dated: February 23, 1949
Lessor: William Allingham
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 76, Page 184, Oil and Gas Lease Records, Lea County, New Mexico
9. Dated: February 24, 1949
Lessor: Clara L. Rasmussen
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 76, Page 227, Oil and Gas Lease Records, Lea County, New Mexico
10. Dated: February 23, 1949
Lessor: C. F. Kloeppel, et ux
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 76, Page 283, Oil and Gas Lease Records, Lea County, New Mexico
11. Dated: February 24, 1949
Lessor: William A. Scraubstadter
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 75, Page 555, Oil and Gas Lease Records, Lea County, New Mexico
12. Dated: February 24, 1949
Lessor: Phil Ziegenfuss, et ux
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 75, Page 559, Oil and Gas Lease Records, Lea County, New Mexico
13. Dated: September 27, 1949
Lessor: Stanley F. Jackes, et ux
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 81, Page 51, Oil and Gas Lease Records, Lea County, New Mexico
14. Dated: February 25, 1949
Lessor: Otto Matthews, et ux
Lessee: John J. Redfern, Jr.
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 75, Page 553, Oil and Gas Lease Records, Lea County, New Mexico
15. Dated: March 7, 1949
Lessor: R. K. Andrews, et ux
Lessee: John J. Redfern, Jr.
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 75, Page 557, Oil and Gas Lease Records, Lea County, New Mexico

Page 3.
Exhibit "A"

16. Dated: April 15, 1951
Lessor: Rosalind Redfern, et vir
Lessee: J. H. Herd
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 92, Page 120, Oil and Gas Lease Records, Lea County, New Mexico

17. Dated: February 15, 1951
Lessor: Irene Prefontaine
Lessor: John J. Redfern, Jr.
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 91, Page 264, Oil and Gas Lease Records, Lea County, New Mexico

18. Dated: November 25, 1950
Lessor: Saidee Lampher
Lessee: John J. Redfern, Jr.
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 91, Page 281, Oil and Gas Lease Records, Lea County, New Mexico

19. Dated: July 9, 1956
Lessor: J. H. Herd, et ux
Lessee: William B. Johnston
Description: Insofar as said lease covers the S/2 of Section 26, and E/2 of Section 35, T-14-S, R-37-E, N. M. P. M., Lea County, New Mexico
Recorded: Volume 142, Page 468, Oil and Gas Lease Records, Lea County, New Mexico

WELLS- subject to the terms and provisions of Paragraph 9 of this agreement:

1. T. D. Pope No. 1, located 660' FSL & 1980' FEL of Section 35, T-14-S, R-37-E;
2. T. D. Pope No. 4, located 660' FSL & 660' FWL of Section 26, T-14-S, R-37-E;
3. T. D. Pope No. 6, located 1980' FSL & 1980' FEL of Section 26, T-14-S, R-37-E;
4. T. D. Pope No. 7, located 1980' FSL & 1980' FEL of Section 35, T-14-S, R-37-E;
5. T. D. Pope No. 10, located 660' FSL & 660' FEL of Section 26, T-14-S, R-37-E;
6. T. D. Pope No. 14, located 660' FSL & 1980' FEL of Section 26, T-14-S, R-37-E; and
7. T. D. Pope No. 17, located 1980' FSL & 660' FEL of Section 26, T-14-S, R-37-E.

EXHIBIT "B"

To that certain Farmout Agreement dated 15, 2004, by and between Stephens & Johnson Operating Co., et al, Farmers, and Platinum Exploration Inc., Farmee

**WELL REQUIREMENTS
STEPHENS & JOHNSON OPERATING CO.
JOINT VENTURES WITH OTHERS**

Stephens & Johnson Operating Co. Geological requirements for subject wells are as follows:

1. **DAILY REPORTS:**

From spud date to first sales and any workover activity, daily reports are to be mailed or faxed to the attention of Peyton Carnes in Stephens & Johnson's office. The fax number is (940) 723-8113

2. **NOTIFICATION OF TESTS CORES, LOGS AND ABANDONMENT:**

Advance notice by telephone of any coring, testing, logging or plugging is required in time for Stephens & Johnson's representative to be present. Peyton Carnes (940) 723-2166-office; (940) 692-7373-home.

3. **DISTRIBUTION OF CHARS AND REPORTS:**

The following should be sent to the attention of Peyton Carnes.

- a. One (1) copy of the survey plat.
- b. One (1) copy of the drilling permit.
- c. One (1) copy of the drilling prognosis.
- d. One (1) copy of the completion prognosis.
- e. One (1) copy of the completion and/or plugging report.
- f. One (1) copy of the drillstem tests and core analyses.
- g. One (1) copy of the potential tests.

4. **DISTRIBUTION OF LOGS:**

The following should be sent to the attention of Peyton Carnes.

- a. One (1) field copy and one (1) final copy of any mud log.
- b. One (1) field copy and one (1) final copy of any electrical long run in the hole.

Mailing Address:

P.O. Box 2249
Wichita Falls, Texas 76307

For Overnight Express:

811 Sixth Street, Suite 300
Wichita Falls, Texas 76301