

LI Properties  
5214 W Park Row, Suite L  
Arlington, TX 76013

05/22/97

Synergy Oil & Gas Inc  
9821 Katy Freeway, Suite 800  
Houston, TX 77024

Re: Plug and Abandon Agreement  
Brown State 28-1  
Lea County, NM

Dear Mr. Bunch:

Per your conversation on May 21, 1997 with Wendell Chen, the following outlines our agreement regarding the T & A of the subject well:

Synergy will proceed with plugging the well under the terms of a flat rate turnkey contract.

I.T. does not elect to retain rights to the casing.

I.T. elects to retain rights to the following equipment: Tubing, rods, pump, pumping unit, all electrical controls, wellhead/tree and heater treater.

I.T. agrees to meet the bid price for this equipment per the quote from plugging company selected to plug the well.

Synergy will negotiate with the plugging company to purchase the tank battery equipment (less heater treater). If plugging company does not purchase tanks and stairway, Synergy will obtain bids for tanks and stairway, and allow I.T. to take 210 bbl tank and stairway (or all tank battery equipment) by meeting the high bid for each tank I.T. elects to retain.

I.T. will furnish payment to Synergy for equipment retained from plugging operations prior to moving equipment off location.

Synergy will notify I.T. when equipment is available to be picked up on location. Please indicate your approval of the above outlined terms by signing below and returning via fax to 817-795-8150.

Sincerely,

Tom Osveld  
Land Manager

Approved this 27<sup>th</sup> day of May, 1997

By: W.D. Bunch

Mr. Bunch

Approved this 30th day of May, 1997.

By: Wendell Chen

Wendell Chen