



TM

BNP Petroleum Corporation

August 14, 2001

VIA FACSIMILE AND U. S. MAIL

Jock Whitworth
Superintendent
Padre Island National Seashore
P O Box 181300
Corpus Christi, TX 78418

PADRE ISLAND

AUG 17 2001

NATIONAL SEASHORE

RE: Surface Location
BNP Petroleum Corporation
Dunn-Murdock No. 1 Well
Yarbrough Pass Area
Padre Island National Seashore

Dear Mr. Whitworth:

Thank you for hosting the meeting on August 10, 2001 wherein BNP and the National Park Service discussed BNP's proposed Plan of Operations for the referenced well. At the meeting, your staff suggested the possibility of moving BNP's proposed surface location approximately 1,000 feet east to an existing Louis Dreyfus reclamation site, and you asked if BNP would consider this alternative site. I committed to you that BNP would indeed use the Louis Dreyfus site for its semi-permanent production facilities in the event we are successful in our drilling operations. With respect to using the Louis Dreyfus site during drilling operations, I told you that BNP would evaluate the possibility. However, I indicated that BNP would have to carefully consider factors such as increased mechanical risk associated with greater deviation to the well bore prior to committing to the alternative site.

After careful analysis of the Louis Dreyfus reclamation site as a potential surface location for the drilling of the referenced well, BNP must regrettably reject such site as an alternative. BNP's decision is based upon the following factors:

1. The proposed alternative site will increase mechanical risk substantially. BNP estimates a 25% increase in mechanical risk associated with drilling from the Louis Dreyfus site as opposed to the preferred site set out in BNP's Plan of Operations. BNP's preferred site will allow the well to be drilled at a constant angle at depth, a concept known as "building hole." The Louis Dreyfus alternative will require the well to have an almost "S" curve configuration at depth in order to adequately test all objectives. Furthermore, the well bore design from the Louis Dreyfus site would suggest the use of oil based drilling mud in order to reduce the likelihood of getting stuck in the hole. BNP's preferred site allows for a well bore design where water-based drilling mud can be safely and effectively used.
2. The Louis Dreyfus site will result in an increase in geologic risk. The Louis Dreyfus site is structurally inferior to BNP's preferred location. Indeed, due to subsurface uncertainties which still exist even after BNP's interpretation of the 3-D seismic data, it is possible that BNP may

miss one or more of its objective horizons from the Louis Dreyfus reclamation site. This could necessitate the drilling of an additional well or wells at one or more additional surface locations.

3. Drilling from the Louis Dreyfus reclamation site will result in an increase in rig time and an increase in total time of surface occupancy during the drilling stage. BNP estimates that an additional five (5) days of rig time would be required if drilling operations were conducted from the Louis Dreyfus reclamation site. Obviously, BNP's operation is most visible during the drilling stage and any increase in time during this stage will be magnified from the perspective of the Park visitors.
4. The Louis Dreyfus reclamation site will result in a substantial increase in cost. BNP estimates the additional costs associated with drilling from the Louis Dreyfus site will be approximately \$150,000.00.

Based upon the reasons set out above, BNP would prefer to drill the subject well from its originally proposed surface location. When factoring in the elements of risk, time and cost, BNP's preferred location is clearly superior. The increase in mechanical and geologic risk, along with the increase in time associated with drilling from the Louis Dreyfus site, all increase the likelihood of additional impacts to Park resources when compared to BNP's preferred location. However, BNP is committed to situating all production facilities at the Louis Dreyfus reclamation site if the Park Service so desires. Furthermore, BNP will continue to constantly seek ways to conduct its operations in order to reasonably and efficiently access the valuable oil and natural gas reserves within the Park while minimizing impacts on all of the remaining sensitive resources inside the Park.

BNP hopes to submit what it believes will be a final and complete Plan of Operations for the drilling of the referenced well on or before August 24, 2001. Prior to such submittal, BNP would greatly appreciate the Service's written concurrence of our decision to proceed with the proposed surface location.

Should you have any questions regarding this correspondence, or should you desire to discuss these matters further, please do not hesitate to call.

Sincerely,

BNP PETROLEUM CORPORATION



H. Scott Taylor
Vice President Land/Commercial Real Estate

cc: Ken McMullen
Arlene Wimer
Jim Woods
Charlie Belaire