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To: Linda Dansby, Regional Minerals Coordinator
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National Park Service

cc: Joe Escoto, Superintendent
Darrell Echols, Chief, Resource Management
Mark Biel, Oil and Gas Program Manager
Padre Island National Seashore

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From: Robert Eaton, Attorney-Adviser
Office of the Field Solicitor, Santa Fe

Date: 11/30/07

There are 3 pages total (2 cover pages and 1 following).

Subject: Padre Island National Seashore - Draft Letter to Paul Black re:
Lemon/Lemon Seed Term Pooling Agreements

Comments: Linda and Eddie—In anticipation of our conference call this afternoon, I thought it might be helpful if I provided you my initial comments on the draft letter to Paul Black re: the pooling agreements for the Lemon/Lemon Seed well term pooling agreements. So, attached is a copy of the draft letter with my minor handwritten edits. In addition, I recommend that you combine the letter's first and third paragraphs into a new first paragraph reading as follows:

Thank you for your November 7, 2007, letter enclosing copies of the Lemon and Lemon Seed Term Pooling Agreements and the correspondence from the Texas General Land Office approving the units. After reviewing those documents, we find that they satisfy the requirements of 36 C.F.R. subsection 9.36(a)(2). We understand, however, that BNP no longer holds a lease to the Dunn-McCampbell-owned minerals through which BNP will need to drill to reach its bottomhole locations for both the Lemon and Lemon Seed wells. We further understand that Dunn-McCampbell has agreed to grant BNP a subsurface easement to drill through its mineral interests. As a condition of the National Park Service's authorizing BNP to drill the Lemon Seed well, we therefore require that you provide us with a signed statement reading substantially as follows:

In order to drill the Lemon Seed well, BNP will need to drill through mineral interests, owned by other parties, that BNP does not currently lease. BNP hereby represents to the National Park Service (NPS) that it has obtained or will obtain the legal permission or rights necessary to drill through those mineral interests owned by other parties. In consideration of the NPS's authorizing BNP to drill the Lemon Seed well, BNP hereby agrees to indemnify and hold harmless the United States of America and its employees and agents from and against any and all liability whatsoever arising out of or resulting from BNP's drilling through mineral interests owned by other parties, including but not limited to Dunn-McCampbell Royalty Interest, Inc., in the course of drilling the Lemon Seed well.

As soon as we receive that signed statement, we will provide you a written authorization to proceed.

Then continue the letter with what is currently the second paragraph (as edited).

I'll talk to you this afternoon. Thanks.

Rob

NOV-29-2007 THU 03:35 PM NPS MINERALS

FAX NO. 505 886097

P. 03

November XX, 2007

Paul Black
BNP Corporation
William Tower
2800 Post Oak Boulevard, Suite 5300
Houston Texas 77056

DRAFT

Dear Mr. Black:

In response to BNP's November 7, 2007, letter forwarding copies of the Lemon and Lemon Seed Term Pooling Agreements, and a copy of the correspondence from the Texas General Land Office approving the units, we have reviewed the term pooling agreements and the approval letter from the GLO and find those documents to be sufficient to meet the § 9.36(a)(2) requirement. This letter serves as BNP's authorization to drill the Lemon Seed well under the terms of BNP's approved plan.

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We remind BNP that the NPS's selection and approval of the surface drilling location on the island for BNP's Lemon and Lemon Seed wells at (Id location) represents ^{an unusual} ~~a unique~~ circumstance. The NPS made its decision after careful analysis of the unique information contained in the proposed plan, and after application of the approval standard at 36 CFR § 9.37 (a)(1). BNP should not rely on the NPS's approval of the surface location on the island for the Lemon and Lemon Seed wells as an indication or guarantee that the NPS will authorize BNP to locate surface facilities on the island for similar future proposals. ~~The NPS will analyze future proposals on a case-by-case basis, using the most current data available, and will apply the approval standards at § 9.37 to formally process the plans.~~ We strongly encourage BNP to work with park personnel early in the development of its future proposals in or adjacent to Padre Island National Seashore so that both parties are aware of potential drilling locations under consideration.

Lastly, for the drilling of the Lemon and Lemon Seed wells, we understand that BNP no longer holds a lease to the Dunn McCampbell owned minerals BNP will need to access through to reach its bottom hole locations for both the Lemon and the Lemon Seed wells. We request that BNP prepare and sign a hold harmless agreement to protect the NPS from being party to any future litigation that may arise due to concern over access through Dunn McCampbell's mineral estate. Please forward the hold harmless agreement to me within 10 days of receipt of this letter.

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If you have any questions, please do not hesitate to contact Darrell Echols of my staff at (361) 949-8173 x 223.

Sincerely,

Joe Escoto, Superintendent