



RICHARDSON OPERATING COMPANY

1700 Lincoln, Suite 1700
Denver, Colorado 80203 (303) 830-8000
FAX (303) 830-8009

February 27, 1996

Mr. and Mrs. Wayne B. Lane
Mrs. Fern Knight Lane
P.O. Box 822
Farmington, NM 87499-0822

Certified Mail P 296 557 446

Re: West Gallegos Prospect
ROPCO 15-1 GW (A) PC, (B) FC Well
NE/4-Section 15-T29N-R13W
San Juan County, New Mexico

Dear Mr. and Mrs. Lane:

Richardson Operating Company proposes the drilling of a well to a depth sufficient to adequately test the Pictured Cliffs and Fruitland Coal formations, anticipated total depth being 1,500 feet. The well will be located in the SE/4NE/4 of Section 15, either at a standard or exception location. The NE/4 of Section 15, Township 29 North, Range 13 West, NMPM will be dedicated as the proration unit for the Pictured Cliffs formation of the well. The E/2 of said Section 15 will be dedicated as the proration unit for the Fruitland Coal formation.

Our AFE dated February 27, 1996 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion, either as a producing well or plugging and abandonment in the event of a dry hole, please return an executed copy of the AFE to the undersigned by March 19, 1996.

Upon receipt of your executed AFE, or by prior written request, we will forward our Joint Operating Agreement for your review and execution.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest insofar as it covers from the surface of the earth to the base of the Pictured Cliffs formation. Your Dakota rights would not be affected by any of the following elections:

**BEFORE THE
OIL CONSERVATION DIVISION**
Case No. 11570 Exhibit No.
Submitted By:
Richardson Oil Company
Hearing Date: July 11, 1996

11

Mr. and Mrs. Wayne B. Lane
Mrs. Fern Knight Lane
February 27, 1996
Page 2

1. Enter into a no occupancy oil and gas lease that provides for a three year primary term with bonus consideration based on \$50.00 per net acre and a 15% royalty in the case of production, surface to base of Pictured Cliffs formation
2. Sell all of your mineral interest for \$200.00 per net acre, surface to base of Pictured Cliffs formation.
3. Enter into a farmout agreement covering your interest, giving Richardson 180 days in which to drill a well, reserving a proportionate nonconvertible overriding royalty interest equal to the difference between existing burdens and 15%, surface to base of Pictured Cliffs formation.

Your response is respectfully requested by 5 PM MST, March 19, 1996.

Should you have any questions, please do not hesitate to call.

RICHARDSON OPERATING COMPANY



Cathleen Colby
Land Manager

P 296 557 446



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <u>Mr. & Mrs. Wayne B. Lane</u>	
Street and No. <u>Mrs. Fern Knight Lane</u>	
P.O. Box <u>822</u>	
City, State and ZIP Code <u>Farmington, NM 87499</u>	
Postage	\$.55
Certified Fee	1.10
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$ 2.75
Postmark or Date	

PS Form 3800, June 1991

Is your RETURN ADDRESS completed on the reverse side?

<p>5. Signature (Addressee) <u>FERN KNE</u></p>		<p>4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express <input type="checkbox"/> Return Receipt for Merchandise </p>	
<p>6. Signature (Agent) <u>Fern Lane</u></p>		<p>7. Date of Delivery <u>MAR 1 1992</u></p>	
<p>3. Article Addressed to: Mrs. Fern Knight Lane Mr. and Mrs. Wayne B. Lane P.O. Box 822 Farmington, NM 87499 </p>		<p>4a. Article Number P 296 557 446</p>	
<p>8. Addressee's Address (if not requested and fee is paid)</p>		<p>1. I also wish to receive the following services (for an extra fee): <input type="checkbox"/> Addressee's Address <input type="checkbox"/> Restricted Delivery </p>	

Thank you for using Return Receipt Service.

RICHARDSON OPERATING COMPANY
AUTHORITY FOR EXPEDITURES

Well Name: ROPCO 15-1 (A) PC, (B) FC SECTION 15 PC NE/4, FC E/2

Location: T29N R13W

Date: 2/27/96

Proposed Depth: 1400' Fruitland Coal
1500' Pictured Cliffs

Objective Formation: Commingled Pictured Cliffs
and Fruitland Coal

I. Drilling Costs (Included Run Casing)

Survey and Permits -----
Title Opinion & Land Costs-----
Damages-----
Drilling (incl. water and mud) 1500' @ 12.00/ft.---
BOP Rental-----
Dirt Work-----
Pit Lining-----
Surface Casing 200' @ 6.00/ft.-----
Casing Head-----
Cement Surface-----
Power Tongs-----
Casing 1500' @ 5.00/ft.-----
Trucking-----
Logs-----
Engineering-----
Cement Longstring-----
Total Cost to Run Casing-----
5.9375% Farmington, NM Tax-----
10% Contingency-----
Grand Total to Run Casing-----

Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
	1,500		750	750
	7,500		3,750	3,750
	1,500		750	750
	18,000		8,400	9,600
	750		375	375
	3,000		1,500	1,500
	1,500		750	750
1,200			600	600
750			375	375
	1,500		750	750
	1,000		500	500
7,500			3,500	4,000
	2,000		1,000	1,000
	4,000		2,000	2,000
	2,500		1,250	1,250
	4,000		1,867	2,133
9,450	48,750	58,200	28,117	30,083
		3,456	1,669	1,786
		6,166	2,979	3,187
		67,821	32,765	35,056

II. Completion Costs

Rig Anchors-----
Logs-----
Perf-----
Wellhead & Fittings-----
Tubing 1500' @ 1.50/ft.-----
Stimulation-----
Tool Rental-----
Trucking-----
Battery Installation-----
Restore Location-----
Engineering-----
Treater-----
Flowline-----
Tank & Fittings-----
Gravel-----
Workover Rig-----
Completion Fluids-----
El Paso Hookup-----
Division Order-----
Frac Tank Rental-----
Flowback-----
Fence Location-----
Total Completion Costs-----
5.9375% Farmington, NM Tax-----
10% Contingency-----
Drilling Costs-----
Grand Total Well Costs-----

	600		300	300
	3,500		1,750	1,750
	4,000		2,000	2,000
5,000			2,500	2,500
2,250			1,050	1,200
	48,000		24,000	24,000
	2,000		1,000	1,000
	3,000		1,500	1,500
	4,000		2,000	2,000
	1,500		750	750
	6,500		3,250	3,250
5,000			2,500	2,500
5,000			2,500	2,500
5,000			2,500	2,500
	2,000		1,000	1,000
	15,000		7,500	7,500
	2,000		1,000	1,000
	13,000		6,500	6,500
	2,500		1,250	1,250
	1,000		500	500
	2,000		1,000	1,000
2,000			1,000	1,000
24,250	110,600	134,850	67,350	67,500
		8,007	3,999	4,008
		14,286	7,135	7,151
		67,821	32,765	35,056
		224,964	111,249	113,715

WI Share of Costs

FRUITLAND COAL

0.0914% FERN KNIGHT LANE	DATE _____	APPROVED _____	\$102
WAYNE B. LANE	DATE _____		
MARTHA C. LANE	DATE _____		
99.9086% RICHARDSON OPERATING CO. ET AL	DATE _____	APPROVED _____	\$111,147

PICTURED CLIFFS

0.1829% FERN KNIGHT LANE	DATE _____	APPROVED _____	\$206
WAYNE B. LANE	DATE _____	APPROVED _____	\$0
MARTHA C. LANE	DATE _____	APPROVED _____	\$0
99.8171% RICHARDSON OPERATING CO. ET AL	DATE _____	APPROVED _____	\$113,507



RICHARDSON OPERATING COMPANY

1700 Lincoln, Suite 1700
Denver, Colorado 80203 (303) 830-8000
FAX (303) 830-8009

February 20, 1996

Mrs. Fern Knight Lane
Mr. and Mrs. Wayne B. Lane
P.O. Box 822
Farmington, NM 87499

Re: Request for Oil and Gas Lease
E/2-Section 15-T29N-R13W
San Juan County, New Mexico

Dear Mr. and Mrs. Lane:

A recent check of the county records indicates you own mineral rights in the following described lands that are not currently subject to an oil and gas lease:

Township 29 North, Range 13 West, NMPM
Section 15: Certain tracts of land within the E/2
Surface to base of Pictured Cliffs formation
Containing 0.2926 acres, more or less

Richardson Production Company offers to take an oil and gas lease that provides for a three year primary term with bonus consideration based on \$50.00 per net acre for your 0.2926 net mineral acres. The lease would also provide for a 15% royalty in the case of production. Attached is a copy of our proposed oil and gas lease form.

If you accept the above terms and conditions, please so indicate by signing below and returning one copy of this letter to me at your earliest convenience.

Thank you for your consideration in this matter. If you have any questions, do not hesitate to call me collect at (303) 830-8000.

Sincerely,

RICHARDSON PRODUCTION COMPANY

Cathleen Colby
Cathleen Colby
Land Manager

AGREED TO and ACCEPTED this _____ day of _____, 1996.

Wayne B. Lane

Fern Knight Lane

Martha C. Lane