

Ameristate Exploration, LLC

211 Ranch Road 620 South, Suite 130

Austin, Texas 78734

(512) 266-6007

Fax (512) 266-6156

December 15, 1999

J. F. Rusnak
Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552

Chad Shaw
El Paso Gas Marketing Company
P. O. Box 2511
Houston, TX 77252-2511

Sam Thompson/Jim Dewbre
Southwestern Energy Production Company
2350 North Sam Houston Parkway East, Suite 300
Houston, Texas 77032

Jeff Phillips
TMBR/Sharp Drilling Co.
P. O. Box 10970
Midland, Texas 79702

Diane Thompkins
Phillips 66
4001 Penbrook
Odessa, Texas 79762

Thomas M. Beall
Fuel Products, Inc.
P. O. Box 3098
Midland, Texas 79702

Re: State 13 #1 Well
660' FNL & 660' FEL
Section 13-17S-35E
Lea County, New Mexico

Ladies & Gentlemen:

Ameristate Exploration, LLC hereby proposes the referenced well to be drilled to the top of the Mississippian formation or 12,900', whichever is lesser, to test the Permian and Pennsylvanian formations. Ameristate proposes the following:

- 1) Participate in this well on an E/2 proration unit;
- 2) Farmout all of your interests in Section 13 to Ameristate, retaining the difference between 25% and existing burdens as an overriding royalty; or
- 3) Join Ameristate in forming a 640 acre working interest unit to explore the Permian and Pennsylvanian formations.

Due to lease expirations that are occurring March 1, 2000, time is of the essence. Please respond to Ameristate within 30 days from your receipt of this letter, or due to the time constraints, we will necessarily have to initiate force pooling to drill the referenced well on an E/2 proration unit.

Enclosed is an AFE for your review should you decide to participate. If you desire to farmout your interest or join in forming a working interest unit, please let me know as soon as possible.

Yours truly,


Mark K. Nearburg

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12330 Exhibit No. 4
Submitted by: Ameristate Oil & Gas, Inc.
Hearing Date: January 20, 2000

AMERISTATE EXPLORATION, LLC			APE Number		
AUTHORIZATION FOR EXPENDITURE			15-Dec-99		
Lease Name		State	County/Parish	Location:	
STATE "13" COM #1		NM	LEA	SEC. 13, T-17-S, R-35-E	
Well No.1, MORROW TEST					
Acct Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST	
1	Surveys / Permits / Bonds	850		850	
2	Roads/Location/Damages	43,000		43,000	
3	Moh/demob	27,000		27,000	
4	Drilling Contract-				
5	Daywork:35/3 days At \$6048 /day.	211,680	12,096	223,776	
6	Footage:				
7	Completion Unit: 5 days At \$ 1,400 /day		9,800	9,800	
8	Mud/Chemicals	20,355		20,355	
9	Water	12,200	1,000	13,200	
10	Cement/Cementing Services	23,439	25,300	48,739	
11	Fuel/Electricity/Generator/Lights	19,985	1,142	21,127	
12	Bits	38,750	650	37,400	
13	Reamers / Stabilizers	3,500		3,500	
14	Service Equipment	780	6,180	6,960	
15	Equipment rentals	15,150	9,100	24,250	
16	Wire line Unit	1,650		1,650	
17	Mud Logging/Paleo/Bioassay	7,875		7,875	
18	Open Hole Logging	18,000		18,000	
19	Drill Stem Testing and coring	4,700		4,700	
20	Tubular Inspection/Testing				
21	Transportation (land)		450	450	
22	Equipment inspection/testing				
23	Casing Crews/Tongs	2,475	2,340	4,815	
24	Drilling Overhead	6,300	1,260	7,560	
25	Supervision	1,000	6,000	7,000	
26	Cased Hole Logging & Perf		11,700	11,700	
27	Simulation		78,500	78,500	
28	Directional Drilling Costs				
29	Completion Fluids				
30	Fishing Tools, Supervisor				
31	Contract Labor	350	8,480	8,830	
32	Insurance	21,385		21,385	
33	Plug and Abandon	13,840	(13,840)		
34	Contingency (5%)	23,800	8,700	\$32,600	
TOTAL INTANGIBLE ESTIMATED COST		\$516,164	\$168,858	\$685,022	
TANGIBLE DESCRIPTION					
35	Conductor				
36	450' of 13 3/8"	Surface Casing	7,920	7,920	
37	4,900' of 8 5/8"	Intermediate Csg	55,125	55,125	
38		Intermediate Csg			
39		Intermediate Csg			
40	12,900', 5 1/2" 17# N-80& S-95	Production Csg		98,685	98,685
41		Tieback String			
42	12,900' of 2 7/8"	Tubing		35,475	35,475
43		Tubing			
44		Tubing			
45	Wellhead Equipment		3,000	9,000	12,000
46	Float Equipment				
47	Liner Equipment				
48	Pumping Unit / Base / Engine				
49	Sucker rods, Polished Rods				
50	Tank Battery, Heater, Separator			23,500	23,500
51	Valves, Fittings/Connections			5,000	5,000
52	Packers & Other Subsurface Tools			2,500	2,500
53	Compressor				
54	Miscellaneous Sale Items				
55	Contingency (5%)	3,300	8,700	12,000	
TOTAL TANGIBLE ESTIMATED COST		\$69,345	\$182,860	\$252,205	
TOTAL APE ESTIMATED COST		\$585,509	\$351,718	\$937,227	
APPROVAL AND ACCEPTANCE			IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET FORTH		
Participant _____			_____ I Wish to be covered by TMBR/Sharp's blow out insurance.		
W.L. _____			_____ I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance.		
Title _____			Date _____		
Signature _____					

Is your RETURN ADDRESS completed on the reverse side?

SENDER: <input type="checkbox"/> Complete items 1 and/or 2 for additional services. <input type="checkbox"/> Complete items 3, 4a, and 4b. <input type="checkbox"/> Print your name and address on the reverse of this form so that we can return this card to you. <input type="checkbox"/> Attach this form to the front of the mailpiece, or on the back if space does not permit. <input type="checkbox"/> Write "Return Receipt Requested" on the mailpiece below the article number. <input type="checkbox"/> The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery	
3. Article Addressed to: Sam Thompson/Jim Dewbre Southwestern Energy Prod.Co. 2350 N.Sam Houston Parkway East Suite 300 Houston, TX 77032		4a. Article Number 7256495570	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 	
5. Received By: (Print Name) Rachael Salinas		8. Addressee's Address (Only if requested and fee is paid)	

Thank you for using Return Receipt Service.

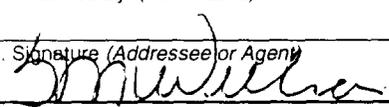
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3. Article Addressed to: Chad Shas El Paso Gas Marketing Co. P. O. Box 2311 Houston, TX 77252-2511		4a. Article Number Z 256 495 571	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery DEC 20 1999	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Addressee or Agent) 			

Thank you for using Return Receipt Service.

PS Form 3811, December 1994 102595-99-B-0223 Domestic Return Receipt

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3. Article Addressed to: J. F. Rusnak Marathon Oil Company P. O. Box 552 Midland, TX 79702-0552		4a. Article Number Z 256 495 573	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery DEC 20 1999	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Addressee or Agent) 			

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3. Article Addressed to: Diane Thompkins Phillips 66 4001 Penbrook Odessa, TX 79762		4a. Article Number 7256495569	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 12-19-99	
5. Received By: (Print Name) <i>J. Torres</i>		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Addressee or Agent)			

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3. Article Addressed to: Jeff Phillips TMBR/Sharp Drilling P. O. Box 10970 Midland, TX 79702		4a. Article Number 7 256 495 572	
		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
		7. Date of Delivery 12-21-99	
5. Received By: (Print Name)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Addressee or Agent)			

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