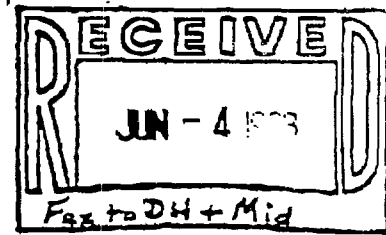


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PIONEER
NATURAL RESOURCES USA, INC.



May 22, 1998

Doyle Hartman
3811 Turtle Creek Blvd., Suite 200
Dallas, Texas 75219

Certified Mail
Return Receipt Requested

Re: **AFE - McCasland 18 Fee No. 1 Well**
NE/4 SW/4 of Section 18,
T-20-S, R-39-E, N.M.P.M., Lea County, New Mexico

Gentlemen:

Pursuant to the Order of the Division dated May 7, 1998, issued by the State of New Mexico Energy, Minerals, and Natural Resources Department's Oil Conservation Division, please find enclosed an AFE covering the costs to drill, complete and equip the McCasland 18 Fee No. 1 Well to be drilled at a legal location being 1650' FSL & 2000' FWL of Section 18, T-20-S, R-39-E, N.M.P.M., Lea County, New Mexico. Should Mr. Hartman elect to participate in drilling operations on the reference well, please forward an executed Operating Agreement (as previously provided to Mr. Hartman), an executed AFE and a check covering Mr. Hartman's 10.2902% working interest in said well within 30 days from receipt of this letter. Otherwise, Mr. Hartman's interest in the NE/4 SW/4 of Section 18 will be pooled under the Order of the Division and be subject to a 200% penalty.

Also, Pioneer is again offering to lease Mr. Hartman's interest in the S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, N.M.P.M., Lea County, New Mexico. The lease will be made on the form previously proposed by Pioneer and should include the following terms and conditions:

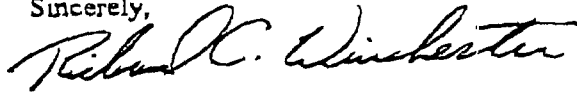
1. Mr. Hartman may reserve a 1/4th royalty interest.
2. The lease shall provide for a primary term of one (1) year, with the option of maintaining the lease through a 180 day continuous development program. Pioneer will offer \$100 per net acre as bonus consideration.
3. The lease form shall provide for enhanced recovery operations.

Pioneer's lease offer shall expire at 4:00 p.m. on May 29, 1998, unless earlier rescinded.

Pioneer has extended the term on the Burlington Resources' lease for an additional 6 months, therefore, the referenced well does not have to be spud by June 1, 1998. However, Pioneer would like to commence drilling operations as soon as an agreement can be reached with Mr. Hartman, or when allowed by the Oil Conservation Division.

Please call me at (915) 571-1476 should wish to discuss the referenced well or Pioneer's lease offer.

Sincerely,

A handwritten signature in cursive script that reads "Richard C. Winchester".

Richard C. Winchester
Senior Landman

PIONEER NATURAL RESOURCES USA, Inc.
 COY ESTIMATE & AUTHORITY FOR EXPENDITURE

 Property # _____
 Division Parmian
 A. F. E. # _____

☒ ORIGINAL ☐ SUPPLEMENTAL ☐ REVISION ☒ BUDGETED ☐ NOT BUDGETED
☐ DEVELOPMENT WELL ☒ EXPLORATORY WELL ☐ SERVICE WELL ☐ EXPENSE WORKOVER
☐ CAPITAL WORKOVER ☐ PLUG & ABANDONMENT ☐ FACILITIES & PRODUCTION SUPPORT EQUIPMENT

LEASE: McCasland 18 Fee WELL No. 1 DATE: 05/22/98
 LOCATION: 1650' FSL & 2000' FWL, Sec. 18, T20S, R39E
 COUNTY: Lea STATE: New Mexico PROSPECT: Outhouse
 FIELD: Wildcat FORMATION: Abo/Drinkard/Tubb/Blinberry PBTD: 7,600 ft
 PROPOSAL: Cost estimate to drill, complete & equip to produce the Abo formation.

DIRECTIONS:

 Well Type: Oil/Gas Foreman: _____ Pumper: _____

SUB ACCT	INTANGIBLES						BCP COST	ACP COST	COMPLETED WELL COST
301	Location: Land, Survey, Plats, Damages, ROW, Permits, Land Services						5,000		5,000
302	Dirtwork: Road, Location, Plts						8,000	750	8,750
303	Contract Drilling-Footage / Turnkey mobilization						5,000		5,000
304	Contract Drilling-Daywork/ Directional/ Horizontal 14 days @ \$8000/day						84,000		84,000
305	Fuel and Power						5,000		5,000
306	Water						5,000	2,000	7,000
307	Mud & Chemicals						12,000	2,000	14,000
308	Drill Bits						10,000		10,000
309	Cementing & Services						5,000	15,000	20,000
310	Drill Stem Tests, Coring & Analysis								
311	Geological Services mud log from inter casing to TD						6,000		6,000
312	Rental Equipment						2,000	5,000	7,000
313	Well Servicing							9,000	9,000
314	Wireline Services						15,000	5,000	20,000
315	Well Stimulation							20,000	20,000
316	Non-Controllable Materials						500	500	1,000
317	Waste Disposal & Restoration							1,500	1,500
318	Labor & Transportation						3,000	5,000	8,000
319	Supervision						5,000	1,000	6,000
320	Overhead						2,000	2,000	4,000
321	Miscellaneous						2,000	4,000	6,000
TOTAL INTANGIBLE COST							174,500	72,750	247,250
SUB ACCT	TANGIBLES						BCP COST	ACP COST	COMPLETED WELL COST
326	Surface Casing	11.00	\$/Ft	1,650	FL	8 5/8"	18,150		18,150
327	Intermediate Casing		\$/Ft		FL				
328	Production Casing	5.00	\$/Ft	7,600	FL	5 1/2"		38,000	38,000
329	Tubing	2.00	\$/Ft	7,400	FL	2 3/8"		14,800	14,800
330	Float Equipment, Shoes, Centralizers						1,100	1,000	2,100
331	Wellhead Equipment						2,500	5,000	7,500
332	Artificial Lift & Accessory Equipment							25,000	25,000
333	Engine / Motor & Accessories							2,500	2,500
334	Rods							18,000	18,000
335	Bottom Hole Pump							1,600	1,600
336	Packers, Anchors, Hangers, Etc.							750	750
337	Tank Battery 2-500 bbl stock tanks, 1-210 bbl w/tank							30,000	30,000
338	Line Pipe, Valves & Fittings							5,000	5,000
339	Heater Treater / Separators 6' x 20' heater							12,000	12,000
340	Other Surface Equipment								
341	Electrical System							7,500	7,500
342	Dehydration								
318	Labor & Transportation							4,000	4,000
316	Non-Controllable Materials							2,500	
TOTAL TANGIBLE COST							21,750	167,650	186,900
TOTAL WELL COST							196,250	240,400	434,150

** PLACE A " " NEXT TO MATERIAL ON HAND

DRYHOLE COSTS:

 INTANGIBLE 174,500
 TANGIBLES 21,750
 TOTAL 196,250

Contingency _____

Leasehold Costs _____

Total Previous Estimate(s) _____

GRAND TOTAL \$434,150

PIONEER NATURAL RESOURCES

 Prepared By: Todd Yacham
 Division Approval: Danny Kellum Initials: _____
 Title: VP Parmian Division Date: _____
 Corporate Approval: _____
 Title: _____
 Approved: _____ Date: _____
 Share of Cost _____ %

WORKING INTEREST OWNER APPROVAL:

 Company: _____
 Approved By: _____
 Title: _____ Date: _____
 Share of Cost _____ % \$ _____