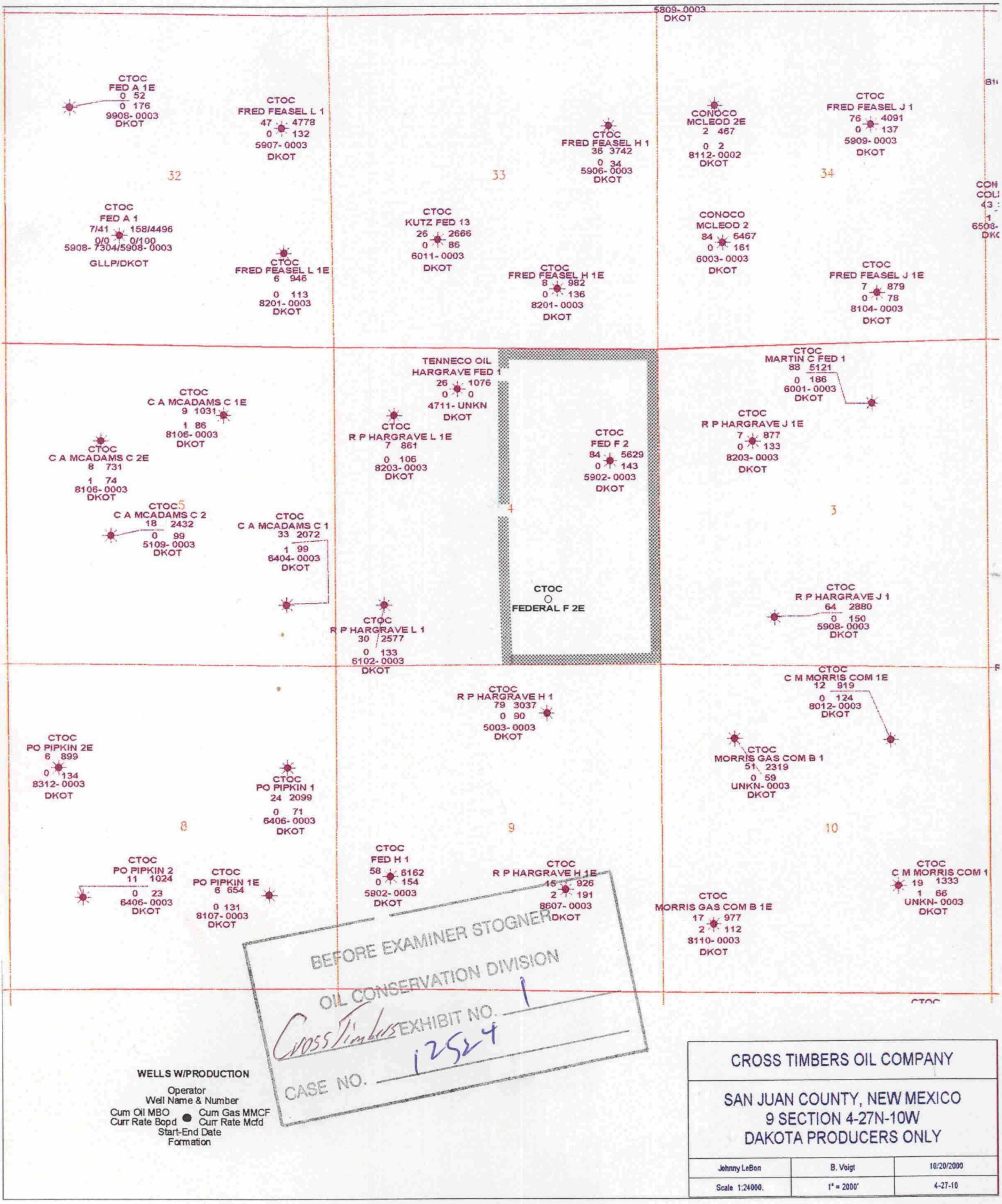


CROSS TIMBERS OIL COMPANY

SAN JUAN COUNTY, NEW MEXICO
9 SECTION 4-27N-10W
DAKOTA PRODUCERS ONLY

Johnny LeBon	B. Voigt	10/20/2000
Scale 1:24000.	1" = 2000'	4-27-10

Cross Timbers Oil Company

August 11, 2000

CERTIFIED MAIL
Mathias Family Trust Dated 9-9-81
Eugene P. Mathias and Barbara J.
Mathias, Trustees
452 Maidstone Lane
Thousand Oaks, CA 91320

RE: New Drill
Federal F #2E Well
E/2 Unit
SE/4 Section 4-27N-10W
San Juan County, New Mexico

Dear Working Interest Owner:

Cross Timbers Oil Company (CTOC) hereby proposes to drill the above captioned well to a depth of 6,850' to the Dakota Formation. Our proposed location is 1060' FSL and 1,805' FEL of the Section. Our records indicate that Mathias Family Trust dated 9-9-81 has a working interest of .6892%. Enclosed please find a copy of our AFE which provides for a dry hole cost of $200,300 and a completed well cost of $413,700.

Enclosed also please find a Joint Operating Agreement for this E2 Unit that covers the Dakota Formation. Please review the Agreement and should you elect to participate, forward a signed signature page along with an executed AFE to the undersigned. CTOC is prepared to drill this well as soon as possible, so your immediate response would be greatly appreciated. Should you have any questions, please feel free to contact me at (817) 885-2454.

Sincerely,
CROSS TIMBERS OIL COMPANY

George A. Cox, CPL
Landman

Enclosures

Cross Timbers 12524

810 Houston St., Suite 2000, Fort Worth, Texas 76102-6298
(817) 870-2800, Fax (817) 870-1671
www.crosstimbers.com

Cross Timbers Oil Company

August 24, 2000

Working Interest Owners
(See attached list)

RE: Federal F #2E Well
E/2 Section 4-27N-10W
San Juan County, New Mexico

Dear Working Interest Owners:

On August 11, 2000 I sent you a well proposal along with an AFE and Joint Operating Agreement for the above captioned well. As of the date of this letter I have not received a signed Joint Operating Agreement and your election to join or go non-consent under the Joint Operating Agreement. Cross Timbers Oil Company is making plans to drill this well in the near future and we need to know your election pertaining to your interest in this well.

Please let me know if you have any questions concerning our proposal as soon as possible. I will need to make application with the NMOCD for a force pooling hearing and I will need to list any party who has not signed the Joint Operating Agreement and responded to our proposal. Please contact me as soon as possible.

Sincerely,
CROSS TIMBERS OIL COMPANY

George A. Cox, CPL
Landman

Cross Timbers 12524 3

810 Houston St., Suite 2000, Fort Worth, Texas 76102-6298
(817) 870-2800, Fax (817) 870-1671
www.crosstimbers.com

WORKING INTEREST OWNERS
FEDERAL F #2E

Mathias Family Trust dtd 9-9-81
452 Maidstone Lane
Thousand Oaks, CA 91320

Virginia L. Mullin
1 Churchill Drive
Englewood, CO 80110

William L. Floyd, Jr.
16 East 77th Street, #5A
New York, New York 10021-1723

Richard P. Shooshan, Trustee
of the Shooshan Family Trust
686 E. Union St.
Pasadena, CA 91101-1820

Leon M. DuCharme Marital Trust
2617 South Wadsworth Circle
Lakewood, CO 80277-3220

Rita Mae DuCharme
2617 South Wadsworth Circle
Lakewood, CO 80277-3220

Rita Treasa Floyd, Jr.
8 Admiral Drive #236
Emeryville, CA 94608

Chateau Energy, Inc.
5950 Berkshire Ln #275
Dallas, TX 75225-5846

Cross Timbers Operating Company

AUTHORITY FOR EXPENDITURE

AFE No. _____ Lease Name Federal "F" Well No. #2E

Description SE/4 of Sec 4, T27N, R10W County San Juan

State New Mexico Area San Juan Division Operator CTOC

Project Drill & Complete a infill Dakota Gas Well Prepared by JW Patton

Exploration Development X Recompletion T.D. 6,850' TVD Date 07/24/2000

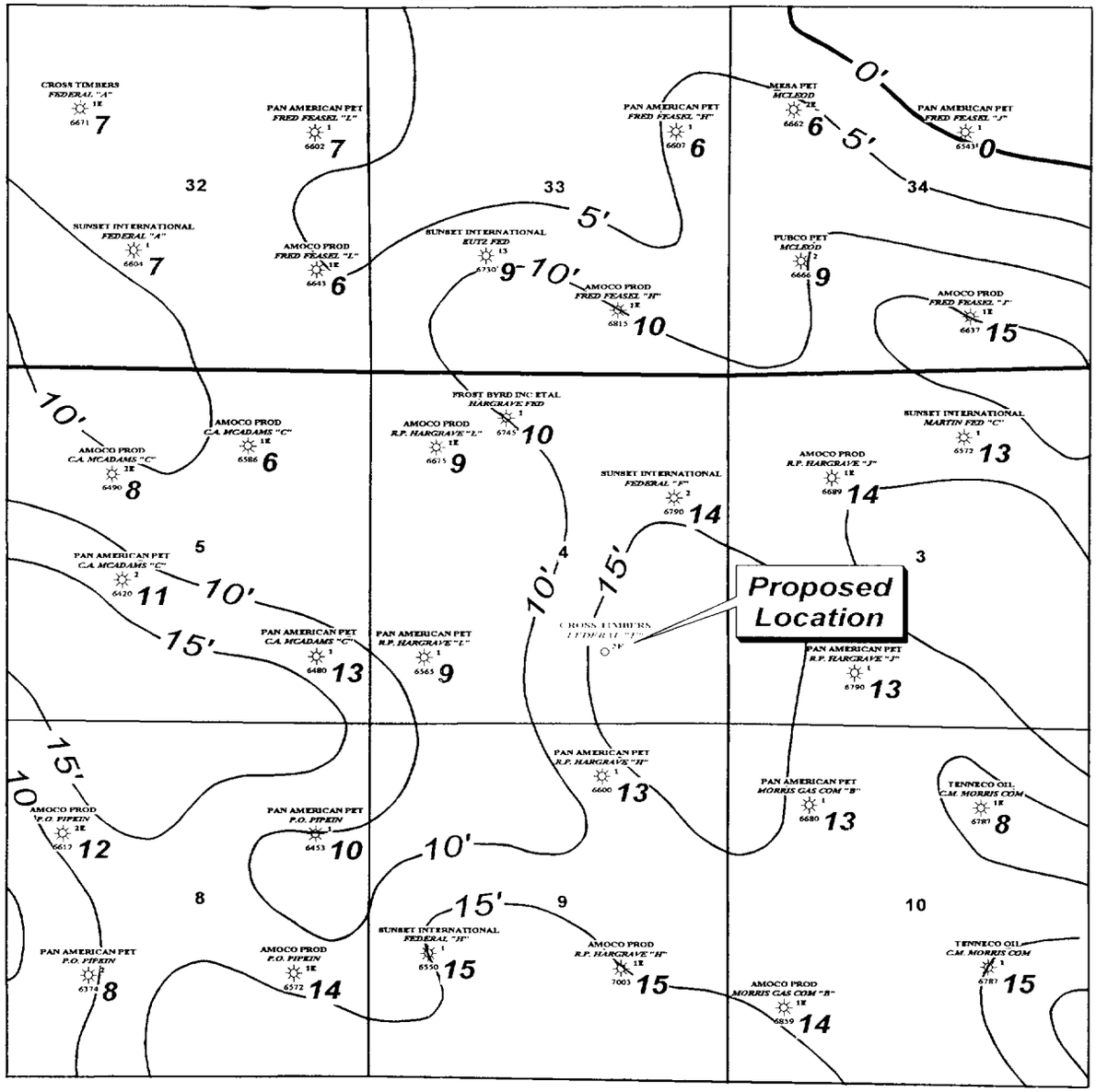
24x_xx			INTANGIBLE	TANGIBLE	TOTAL
8-01	CONDUCTOR HOLE / RATHOLE				$0
8-01	DAYWORK DRILLING	10 days @ $6,300/day	$63,000		$63,000
8-01	FOOTAGE DRILLING				$0
8-01	MOVING RIG		$9,500		$9,500
8-01	TURNKEY DRILLING				$0
8-03	CONTRACT LABOR		$4,000		$4,000
8-04	TRUCKING		$5,000		$5,000
8-05	LOCATION / ROADS / PITS		$12,000		$12,000
8-06	MUD / CHEMICALS		$10,000		$10,000
8-06	WATER & WATERLINES	(for drilling)	$12,000		$12,000
8-07	DST / WL FORMATION TESTING				$0
8-08	OPEN HOLE LOGS		$16,000		$16,000
8-09	CEMENT & CEMENTING SERVICES		$6,000		$6,000
8-10	DRILL BITS	1- 12 1/4", 3 - 7 7/8" Bits	$20,000		$20,000
8-10	POWER & FUEL		$2,000		$2,000
8-11	CASING CREWS, TOOLS & TONGS				$0
8-12	RENTAL TOOLS & EQUIPMENT		$4,000		$4,000
8-15	CORING & CORE ANALYSIS				$0
8-16	PUMP TRUCKS & SERVICES				$0
8-17	ENGINEERING / SUPERVISION	10 days @ $500/day	$5,000		$5,000
8-18	MUD LOGGING UNIT		$5,000		$5,000
8-18	DIRECTIONAL TOOLS & SERVICE				$0
8-18	FISHING TOOLS & SERVICE				$0
8-21	LAND DAMAGES / LEGAL WORK		$5,000		$5,000
9-01	OVERHEAD	10 days @ $300/day	$3,000		$3,000
9-01	CONDUCTOR PIPE				$0
9-01	INTERMEDIATE CASING				$0
9-01	SURFACE CASING	8-5/8" Surface Csg set @ 350'		$2,800	$2,800
9-03	BRADENHEAD			$4,500	$4,500
9-10	NON-CONT. TANG. EQUIP. DRLG.				$0
CONTINGENCIES		5%	$9,100	$400	$9,500
TOTAL COST TO CASING POINT			$190,600	$7,700	$198,300
	PLUG & ABANDONMENT		$2,000		$2,000
TOTAL COST IF DRY HOLE			$192,600	$7,700	$200,300
8-02	COMPLETION UNIT	6 days @ $2250/day	$13,500		$13,500
8-03	CONTRACT LABOR		$5,000		$5,000
8-03	INSTALLATION OF SERVICE EQUIPMENT				$0
8-04	TRUCKING		$5,000		$5,000
8-05	FILL PITS & DRESS LOCATION		$2,500		$2,500
8-06	CHEMICAL PRODUCTS				$0
8-06	WATER TRANSPORTS (DELIVERY & DISPOSAL)		$5,000		$5,000
8-07	CASED HOLE WIRELINE SERVICES		$3,000		$3,000
8-09	CEMENT & CEMENTING SERVICES		$17,000		$17,000
8-11	CASING CREWS, TOOLS & TONGS		$4,000		$4,000
8-11	RENTAL TOOLS & EQUIPMENT		$5,000		$5,000
8-15	FRAC PIT / LINER				$0
8-15	FRAC TANK RENTALS & TANK TRUCKING (TO LOC.)		$4,000		$4,000
8-15	PUMP TRUCKS & SERVICES				$0
8-15	STIMULATION SERVICES	Dakota Frac	$60,000		$60,000
8-16	ENGINEERING / SUPERVISION	6 days @ $500/day	$3,000		$3,000
8-18	FISHING TOOLS & SERVICES				$0
8-18	LEGAL WORK				$0
8-18	PLUG & ABANDONMENT				$0
8-21	OVERHEAD	6 days @ $300/day	$1,800		$1,800
9-01	PRODUCTION CASING / LINER	4-1/2", 10.5# Csg @ 6850'		$25,700	$25,700
9-02	TUBING	2-3/8" Tbg @ 6750'		$15,200	$15,200
9-03	TUBINGHEAD / X-MAS TREE			$6,500	$6,500
9-04	ARTIFICIAL LIFT EQUIPMENT			$2,500	$2,500
9-04	SUBSURFACE EQUIPMENT / SALVABLE				$0
9-05	SEPARATION EQUIPMENT / GAUGES			$10,000	$10,000
9-05	TANKS / WALKS / STAIRWAYS			$4,000	$4,000
9-09	FLOWLINES & FITTINGS			$4,500	$4,500
9-10	NON-CONT. TANG. EQUIP. COMPL.	EFM/MTR RUN		$8,000	$8,000
CONTINGENCIES		5%	$6,400	$3,800	$10,200
TOTAL COST TO COMPLETE & EQUIP			$135,200	$80,200	$215,400
TOTAL WELL COST			$325,800	$87,900	$413,700

OPERATOR		BY	WI %	DATE
COMPANY		BY	WI %	DATE
COMPANY		BY	WI %	DATE
COMPANY		BY	WI %	DATE
COMPANY		BY	WI %	DATE
COMPANY		BY	WI %	DATE

R 10 W

T 28 N

T 27 N



N

Federal "F" #2E

SAN JUAN COUNTY, NEW MEXICO

1st. DAKOTA SANDSTONE NET SANDSTONE ISOPACH

CONTOUR INTERVAL: 5' DATE: NOVEMBER, 2000

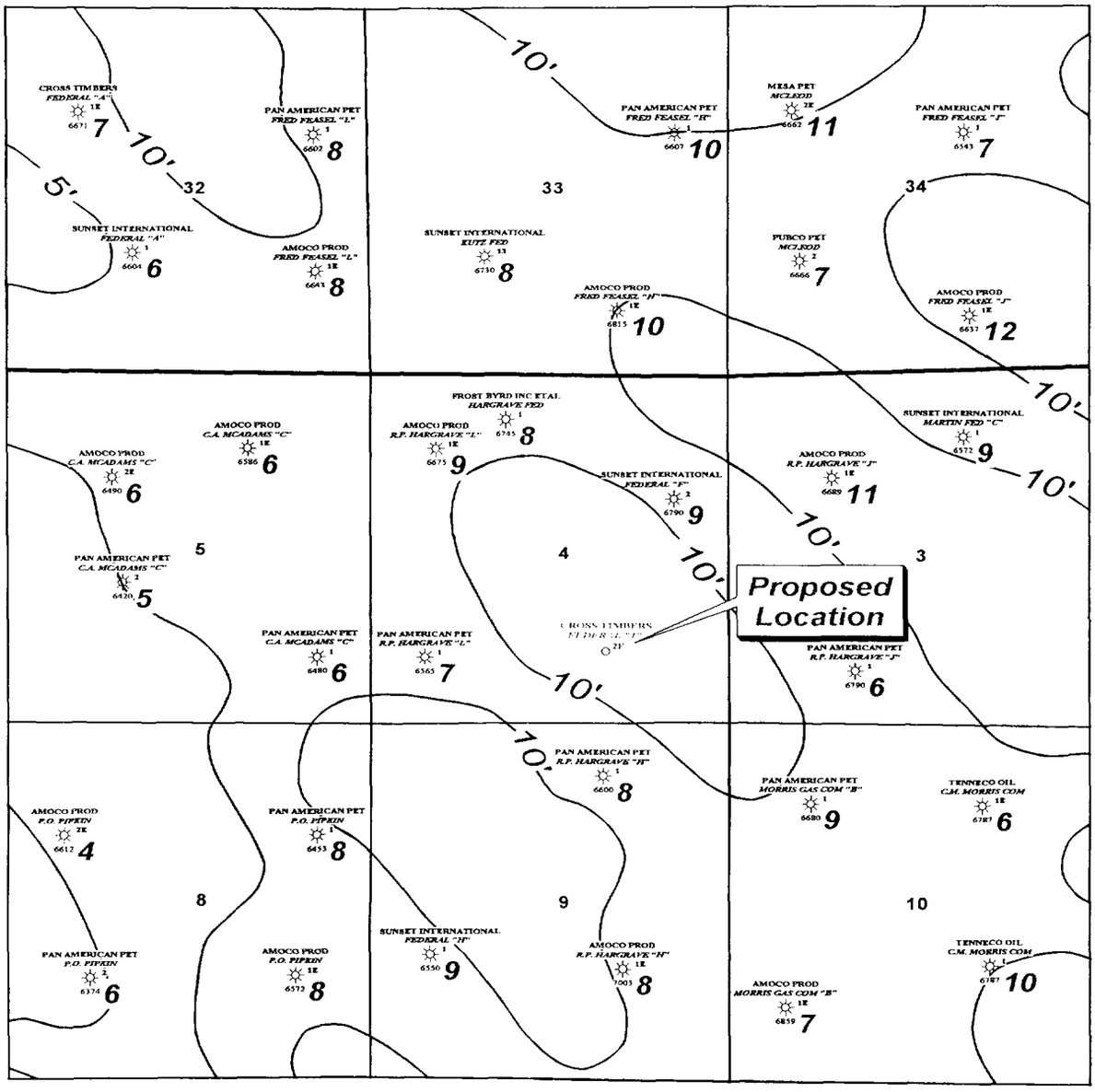
SCALE 0' 2000'

Cross Timbers Oil Company

R 10 W

T 28 N

T 27 N



Federal "F" #2E

SAN JUAN COUNTY, NEW MEXICO

2nd. DAKOTA SANDSTONE NET SANDSTONE ISOPACH

CONTOUR INTERVAL: 5' DATE: NOVEMBER, 2000

SCALE 0' 2000'

N

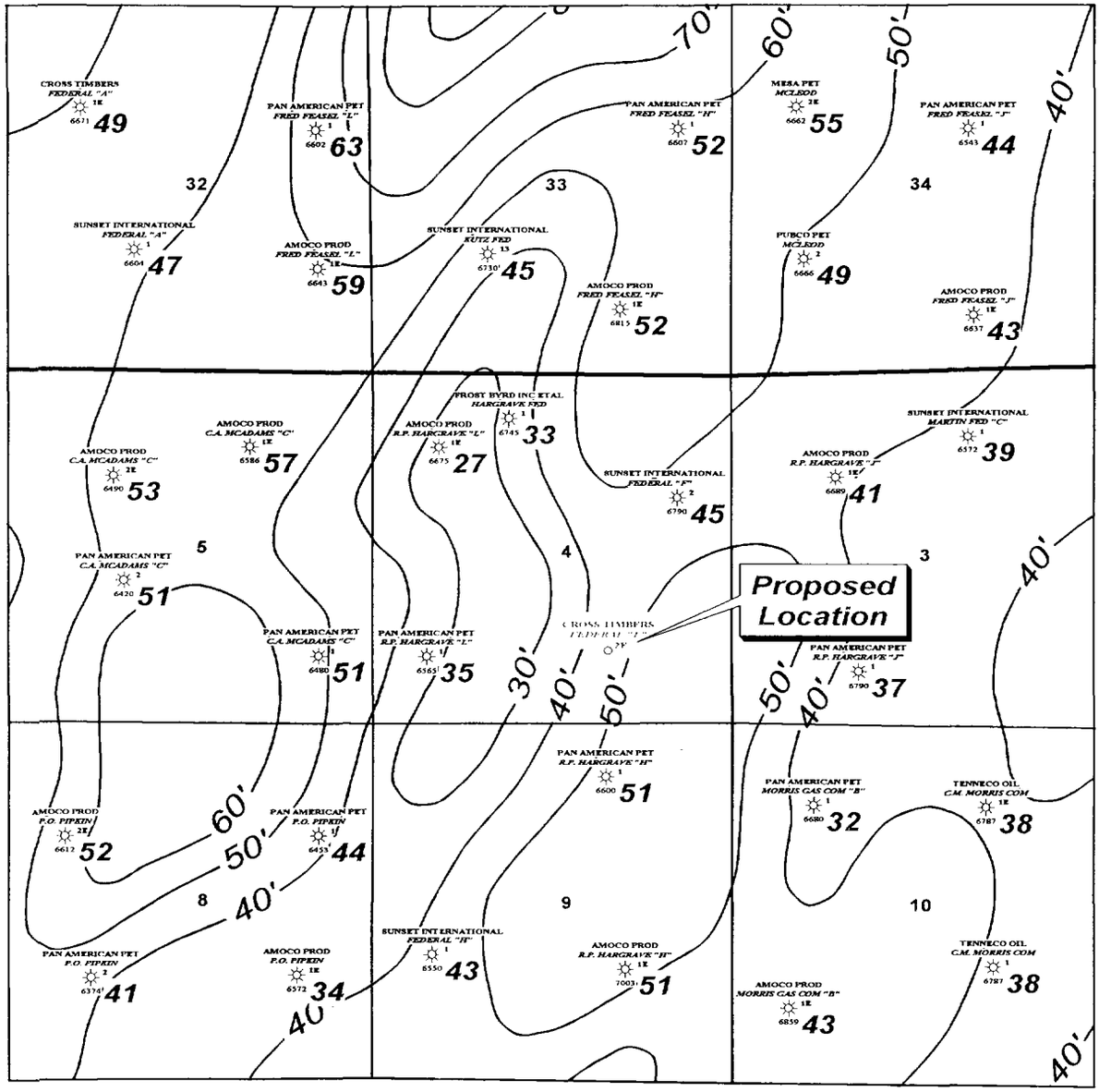
Cross Timbers Oil Company

Cross Timbers
12524

R 10 W

T 28 N

T 27 N



Federal "F" #2E

SAN JUAN COUNTY, NEW MEXICO

3rd. DAKOTA SANDSTONE NET SANDSTONE ISOPACH

CONTOUR INTERVAL: 10' DATE: NOVEMBER, 2000

N

SCALE 0' 2000'

Cross Timbers Oil Company

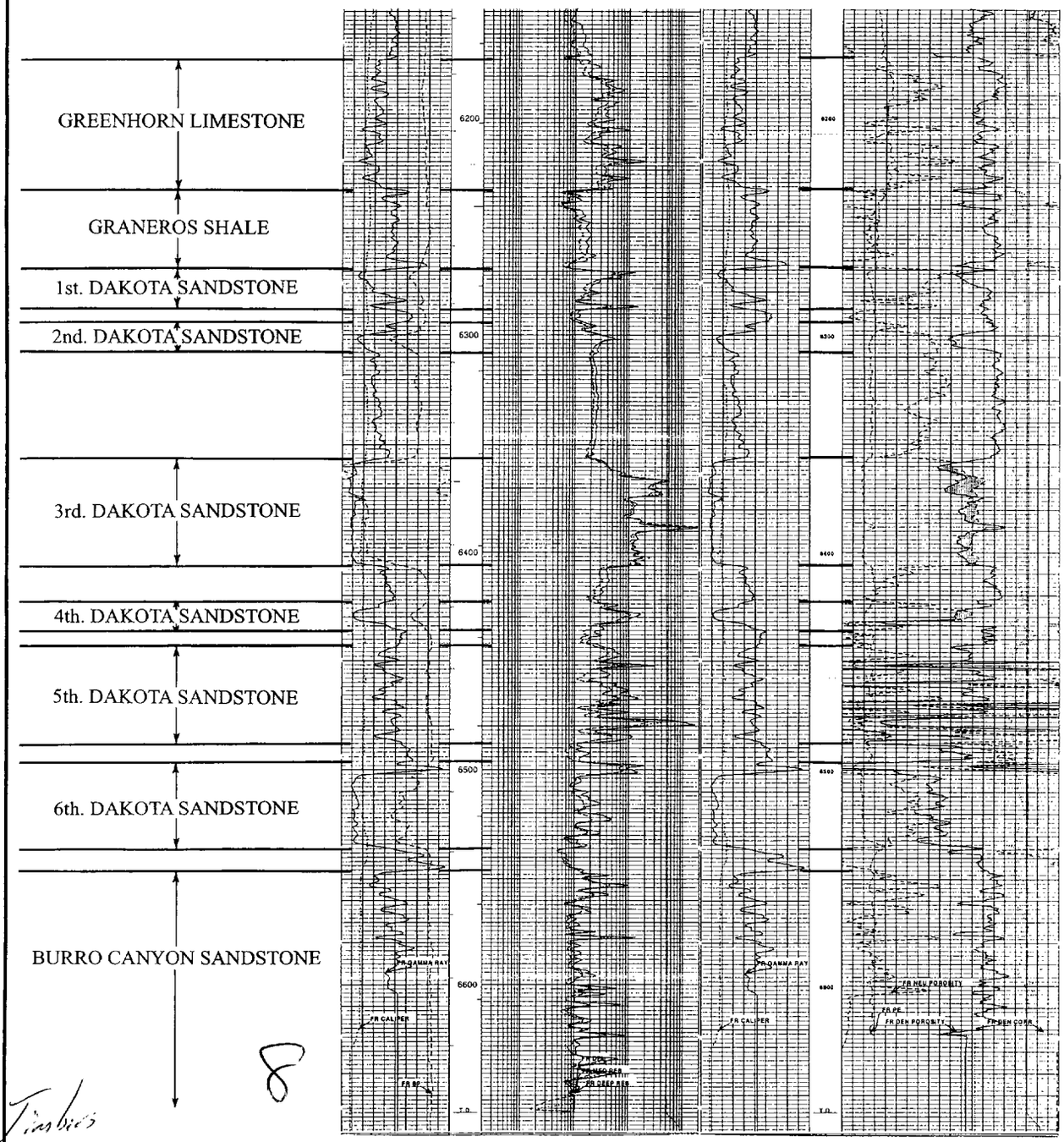
Cross Timbers
12527

TYPE LOG

CROSS TIMBERS OIL COMPANY

Federal "A" #1E

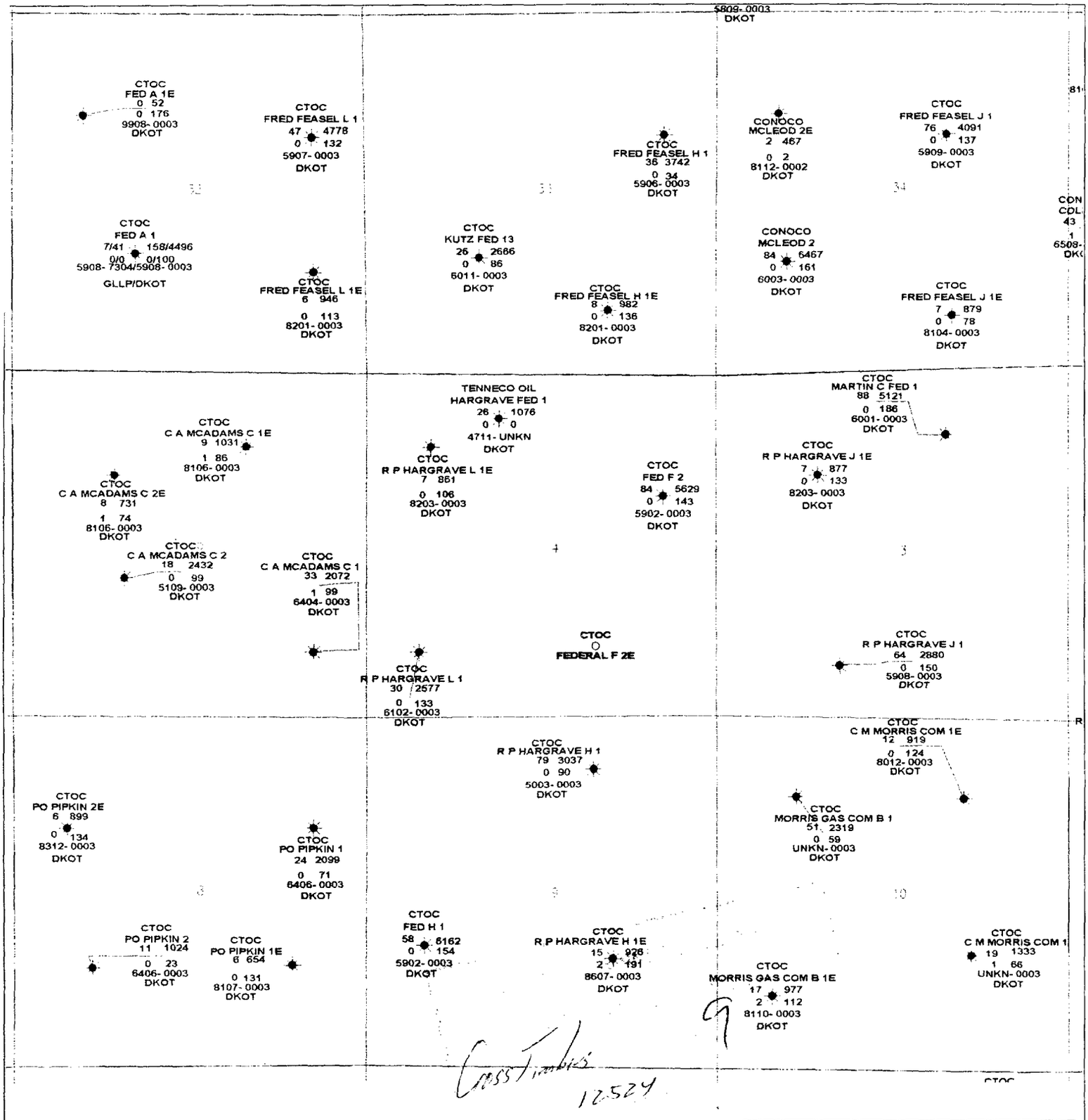
1535' FNL & 1055' FWL
Section 32 T28N - R10W
San Juan County, New Mexico
KB: 5,895'



8

Cross Timbers

12534


5809- 0003
DKOT
CTOC
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0 52
0 176
9908- 0003
DKOT
CTOC
FRED FEASEL L 1
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0 132
5907- 0003
DKOT
CTOC
FRED FEASEL H 1
36 3742
0 34
5906- 0003
DKOT
CONOCO
MCLEOD 2E
2 467
0 2
8112- 0002
DKOT
CTOC
FRED FEASEL J 1
76 4091
0 137
5909- 0003
DKOT
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FED A 1
7/41 158/4496
0/0 0/100
5908- 7304/5908- 0003
GLLP/DKOT
CTOC
FRED FEASEL L 1E
6 946
0 113
8201- 0003
DKOT
CTOC
KUTZ FED 13
26 2666
0 86
6011- 0003
DKOT
CTOC
FRED FEASEL H 1E
8 982
0 136
8201- 0003
DKOT
CONOCO
MCLEOD 2
84 6467
0 161
6003- 0003
DKOT
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FRED FEASEL J 1E
7 879
0 78
8104- 0003
DKOT
CTOC
C A MCADAMS C 1E
9 1031
1 86
8106- 0003
DKOT
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0 0
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MARTIN C FED 1
88 5121
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6001- 0003
DKOT
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C A MCADAMS C 2E
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8106- 0003
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R P HARGRAVE L 1E
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8203- 0003
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8203- 0003
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DKOT
CTOC
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2 191
8607- 0003
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CTOC
MORRIS GAS COM B 1E
17 977
2 112
8110- 0003
DKOT
CTOC
C M MORRIS COM 1
19 1333
1 66
UNKN- 0003
DKOT
32
33
34
4
3
8
9
10
WELLS W/PRODUCTION
Operator
Well Name & Number
Cum Oil MBO
Curr Rate Bopd
Cum Gas MMCF
Curr Rate Mcfd
Start-End Date
Formation
Cross Timbers
12-524
CROSS TIMBERS OIL COMPANY
SAN JUAN COUNTY, NEW MEXICO
9 SECTION 4-27N-10W
DAKOTA PRODUCERS ONLY
Johnny LeBeo
B. Voigt
10/20/2000
Scale 1:24000.
1" = 2000'
4-27-10

BASIN DAKOTA
SECTION 4-T27N-R10W
1st SAND

Fluid Properties

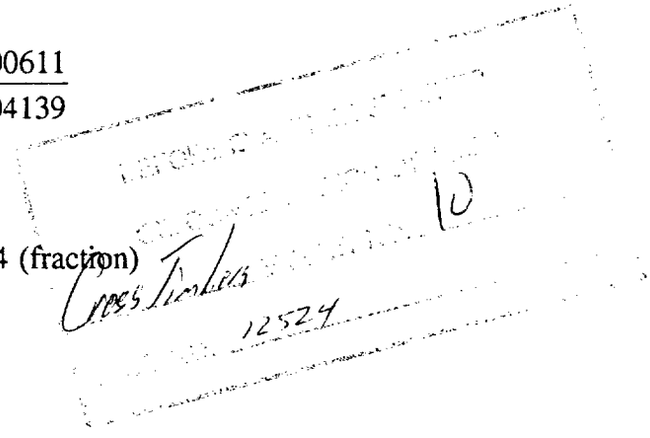
Gas Gravity	=	0.646	Gas Analysis
T_c	=	365°R	Standing's Correlation
P_c	=	678 psi	Standing's Correlation
T_r	=	150 °F	Log Measurement
P_{ri}	=	2,400 psi	Public Data
P_{ra}	=	400 psi	Estimate
B_{gi}	=	0.00611 ft^3/SCF	Standing & Katz's Correlation
B_{ga}	=	0.04139 ft^3/SCF	Standing & Katz's Correlation

Calculate Theoretical Recovery Factor:

$$RF_t = 1 - \frac{B_{gi}}{B_{ga}}$$

$$RF_t = 1 - \frac{0.00611}{0.04139}$$

$RF_t = 0.8524$ (fraction)



Rock Properties

Acre - Feet	=	6,722	Planimetered from net sand thickness maps
Average Porosity	=	0.09	(Fraction) $\emptyset_{dn}$ Avg. of offsets
Water Saturation	=	0.44	(Fraction) Avg. of offsets

Calculate GIP, Theoretical and Actual EUR:

$$GIP = \frac{.04356 A h_{\phi}(1 - S_w)}{B_{gi}} MMCF$$

$$GIP = \frac{.04356(6,722)(0.09)(1 - 0.44)}{0.00611} MMCF$$

GIP = 2,415 MMCF

EUR_t = RF_t x GIP

EUR_t = (0.8524)(2,415)

EUR_t = 2,059 MMCF

BASIN DAKOTA
SECTION 4-T27N-R10W
2nd SAND

Fluid Properties

Gas Gravity	=	0.646	Gas Analysis
T_c	=	365°R	Standing's Correlation
P_c	=	678 psi	Standing's Correlation
T_r	=	150 °F	Log Measurement
P_{ri}	=	2,400 psi	Public Data
P_{ra}	=	400 psi	Estimate
B_{gi}	=	0.00611 ft^3/SCF	Standing & Katz's Correlation
B_{ga}	=	0.04139 ft^3/SCF	Standing & Katz's Correlation

Calculate Theoretical Recovery Factor:

$$RF_t = 1 - \frac{B_{gi}}{B_{ga}}$$

$$RF_t = 1 - \frac{0.00611}{0.04139}$$

$$RF_t = 0.8524 \text{ (fraction)}$$

Rock Properties

Acre - Feet	=	5,533	Planimetered from net sand thickness maps
Average Porosity	=	0.15	(Fraction) $\emptyset_{dn}$ Avg. of offsets
Water Saturation	=	0.35	(Fraction) Avg. of offsets

Calculate GIP, Theoretical and Actual EUR:

$$GIP = \frac{.04356 A h_{\phi} (1 - S_w)}{B_{gi}} MMCF$$

$$GIP = \frac{.04356(5,533)(0.15)(1 - 0.35)}{0.00611} MMCF$$

GIP = 3,846 MMCF

EUR_t = RF_t x GIP

EUR_t = (0.8524)(3,846)

EUR_t = 3,278 MMCF

BASIN DAKOTA
SECTION 4-T27N-R10W
3rd SAND

Fluid Properties

Gas Gravity

T_c	=	0.646	Gas Analysis
P_c	=	365°R	Standing's Correlation
T_r	=	678 psi	Standing's Correlation
P_{ri}	=	150 °F	Log Measurement
P_{ra}	=	2,400 psi	Public Data
B_{gi}	=	400 psi	Estimate
B_{ga}	=	0.00611 ft^3/SCF	Standing & Katz's Correlation
	=	0.04139 ft^3/SCF	Standing & Katz's Correlation

Calculate Theoretical Recovery Factor:

$$RF_t = 1 - \frac{B_{gi}}{B_{ga}}$$

$$RF_t = 1 - \frac{0.00611}{0.04139}$$

$$RF_t = 0.8524 \text{ (fraction)}$$

Rock Properties

Acre - Feet	=	24,451	Planimetered from net sand thickness maps
Average Porosity	=	0.09	(Fraction) $\emptyset_{dn}$ Avg. of offsets
Water Saturation	=	0.35	(Fraction) Avg. of offsets

Calculate GIP, Theoretical and Actual EUR:

$$GIP = \frac{.04356 A h_{\phi} (1 - S_w)}{B_{gi}} MMCF$$

$$GIP = \frac{.04356(24{,}451)(0.09)(1 - 0.35)}{0.00611} MMCF$$

GIP = 10,198 MMCF

EUR_t = RF_t x GIP

EUR_t = (0.8524)(10,198)

EUR_t = 8,692 MMCF