

EXHIBIT 3

March 14, 2001

Barbara Sue Beller, SSP
920 Las Cruces
Ventura, CA 93003

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4 & S/2 N/2 (N/2) of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 311.84 net mineral acres, more or less

Dear Ms. Beller:

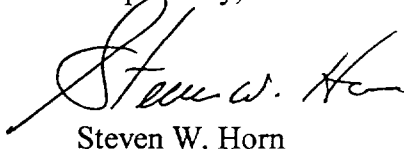
The Deed Records of Lea County, New Mexico indicate Barbara Sue Beller, SSP as the owner of an undivided 2.3215/311.84 mineral interest under the above referenced property, being an undivided 2.32 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Barbara Sue Beller, SSP in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Barbara Sue Beller, SSP
920 Las Cruces
Ventura, CA 93003

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Beller:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

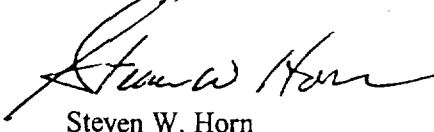
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 2.3215/311.84 mineral interest in the above referenced property (1.16432 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Recompletion <input type="checkbox"/> Injection <input type="checkbox"/> Other <input type="checkbox"/> Development Well <input type="checkbox"/> Workover <input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.		

INTANGIBLE COSTS

Description	101	Drilling	201	Completion
Abstracts / Legal Fees		500		
Surveys / Permits / Environmental		500		
Right - of - Way				
Location / Restoration		24,000		2,500
Mob & Demob		45,000		
Transportation / Hauling / Barges		10,000		15,000
Drilling / Completion Rig - Turnkey				
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	525,000		18,000
Cementing - Materials / Services		37,000		25,000
Drilling Mud / Completion Fluids		40,000		
Water		15,000		3,000
Fuel				
Open Hole - Logging / Coring		62,000		
Engineering / Supervision		31,500		8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	19,600		
Casing Services		5,500		5,500
Supplies				
Drilling / Completion Overhead		11,600		
Equipment Rentals		18,000		12,000
Surface Damages				
Slickline / Swabbing				
Cased Hole - Logging / Perforating				25,000
Stimulation - Materials / Services				50,000
Coiled Tubing - Materials / Services				
Chemicals - Other				
Gravel Pack - Materials / Services				
Bits - Drilling / Completion		50,000		2,000
Treating				
Testing / Analysis				
Communications				
Labor		7,500		31,000
P & A Expense		8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	44,400		
	Insurance	57,600		
Contingencies		10,000		5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	8,800		
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	69,000		
Drilling Liner				
Production Liner	12,000 ft 7" \$9.50 / ft		226	114,000
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227	39,000
Downhole Equipment			231	20,000
Artificial Lift Equipment			232	35,000
Tree & Other Production Equipment		4,000	233	4,000
Tanks			234	15,000
Pipe, Fittings, Valves, etc.			235	5,000
Separators, Treaters, Heaters, etc.			236	5,000
Total Tangibles		81,800		237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

7099 3400 0016 5964 1477

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Barbara Sue Beller, SSP

Street, Apt. No., or PO Box No.

920 Las Cruces

City, State, ZIP+4

Ventura, CA 93003

PS Form 3800, February 2000

See Reverse for Instructions

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702



7099 3400 0016 5964 1477

Barbara Sue Beller, SSP
920 Las Cruces
Ventura, CA 93003

MIDLAND, TEXAS 79701
125
0629
MIDLAND TX
PB8533108
01019139
79701

NSP

11/3

RETURN
TO SENDER
NO SUCH
ADDRESS

RETURN
TO SENDER
NO SUCH
ADDRESS

Steven W. Horn

Oil and Gas

October 22, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Barbara Sue Beller, SSP
920 Las Cruces
Ventura, CA 93003

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Beller:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

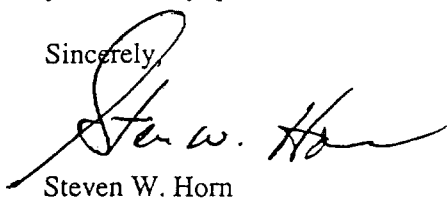
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 2.3215/311.84 mineral interest in the above referenced property (1.16432 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	APC No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Recompletion <input type="checkbox"/> Injection <input type="checkbox"/> Other <input type="checkbox"/> Development Well <input type="checkbox"/> Workover <input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.		

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,800		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	158	50,000	258	2,000
Treading			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
Directional - 6 days @ \$ 7,400 / D		57,600		
Insurance				
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121	8,800	
Intermediate Liner	4,800 ft 9 5/8"	122	89,000	
Drilling Liner		122		
Production Liner	12,000 ft 7"			114,000
Tie-Back				
Tubing	12,000 ft 2 7/8"			39,000
Downhole Equipment				20,000
Artificial Lift Equipment				35,000
Tree & Other Production Equipment				4,000
Tanks		133	4,000	15,000
Pipe, Fittings, Valves, etc.				5,000
Separators, Treeters, Heaters, etc.				5,000
Total Tangibles			81,800	237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3739 9912

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee: (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

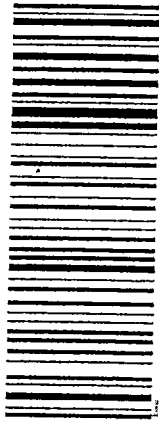
Barbara Sue Beller, SSP
Street, Apt. No.,
920 Las Cruces
Ventura, CA 93003

PS Form 3800, January 2001

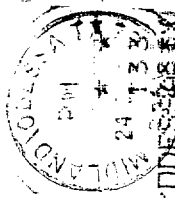
See Reverse for Instructions

CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702



7001 0320 0004 3739 9912



MIDLAND, TEXAS

0706 MIDLAND TX 79701
993104011193570
PB853346

Barbara Sue Beller, SSP
920 Las Cruces
Ventura, CA 93003

11-13

RETURN
TO SENDER
NO SUCH
ADDRESS

79702-22755

RETURN



March 14, 2001

Glena Lu Miller
Guardian of the Estate of
Etoile M. Bennett
512 Ross Blvd.
Pecos, Texas 79772

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4 & S/2 N/2 (N/2) of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 311.84 net mineral acres, more or less

Dear Ms. Miller:

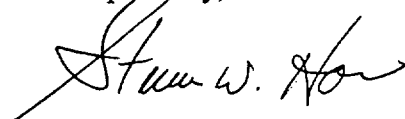
The Deed Records of Lea County, New Mexico indicate Glenna Lu Miller as the Guardian of an undivided 3/311.84 mineral interest under the above referenced property, being an undivided 3.00 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Glenna Lu Miller, Guardian in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

Steven W. Horn

Oil and Gas

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Glena Lu Miller,
Guardian of the Estate of Etoile M. Bennett
512 Ross Blvd.
Pecos, Texas 79772

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Miller:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

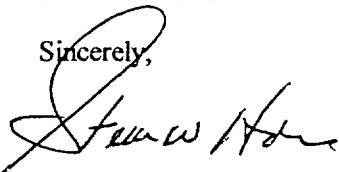
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/311.84 mineral interest in the above referenced property (1.50462 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ac

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe	110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800	
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000	
Drilling Liner		122	
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000
Tie-Back			226
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000
Downhole Equipment			231 20,000
Artificial Lift Equipment			232 35,000
Tree & Other Production Equipment		133 4,000	233 4,000
Tanks			234 15,000
Pipe, Fittings, Valves, etc.			235 5,000
Separators, Treaters, Heaters, etc.			236 5,000
Total Tangibles		81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 153A

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Glena Lu Miller

Street, Apt. No., or P.O. Box No.

512 Ross Blvd.

City, State, ZIP+4

Pecos, Texas 79772

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Glena Lu Miller
512 Ross Blvd.
Pecos, Texas 79772

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery
10-22

C. Signature

X *Glena Miller* ☐ Agent
☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1538

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Glena Lu Miller,
Guardian of the Estate of Etoile M. Bennett
512 Ross Blvd.
Pecos, Texas 79772

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Miller:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

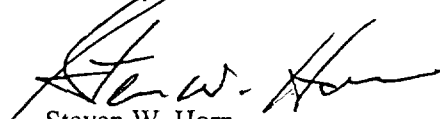
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/311.84 mineral interest in the above referenced property (1.50462 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,


Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 82,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,800
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe	400 ft 13 3/8"	\$22.00 / ft	110		
Surface Casing			121 8,800		
Intermediate Liner	4,800 ft 9 5/8"	\$15.00 / ft	122 89,000		
Drilling Liner			122		
Production Liner	12,000 ft 7"	\$9.50 / ft		226 114,000	
Tie-Back				226	
Tubing	12,000 ft 2 7/8"	\$3.25 / ft		227 39,000	
Downhole Equipment				231 20,000	
Artificial Lift Equipment				232 35,000	
Tree & Other Production Equipment			133 4,000	233 4,000	
Tanks				234 15,000	
Pipe, Fittings, Valves, etc.				235 5,000	
Separators, Treaters, Heaters, etc.				236 5,000	
Total Tangibles			81,800	237,000	

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7001 0320 0004 3739 9899

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

Glenn Lu Miller
Street, Apt. No.,
or P.O. Box No.
512 Ross Blvd.
City, State ZIP+4
Pecos, Texas 79772

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Glenna Lu Miller
512 Ross Blvd.
Pecos, Texas 79772

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) **B. Date of Delivery**

C. Signature

D. Is delivery address different from item 1? **E. Yes** **F. No**

If YES, enter delivery address below: **G. Yes** **H. No**

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3739 9899

PS Form 3811, March 2001

Domestic Return Receipt

March 14, 2001

Philip Tabor Bennett &
Charlene Mayberry Bennett,
as Trustees of the Bennett Family Trust
u/t/a 10/25/93
431 St. Andrews Drive
Aptos, CA 95003

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. & Ms. Bennett:

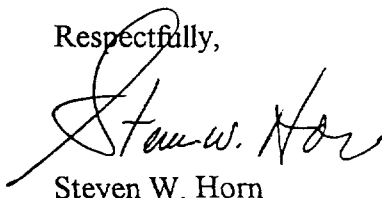
The Deed Records of Lea County, New Mexico indicate Philip Tabor Bennett & Charlene Mayberry Bennett as trustees of an undivided 1/160 mineral interest under the above referenced property, being an undivided 2.95 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Philip Tabor Bennett & Charlene Mayberry Bennett, as trustees, in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Philip Tabor Bennett &
Charlene Mayberry Bennett, as
Trustees of the Bennett Family Trust u/t/a 10/25/93
431 St. Andrews Drive
Aptos, CA 95003

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Bennett:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

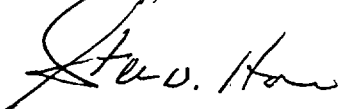
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/160 mineral interest in the above referenced property (.97750 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap #1		Prospect Northwest Knowles	APC No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,600		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
		57,600		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe	110			
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121	8,800	
Intermediate Liner	4,800 ft 9 5/8" \$15.00 / ft	122	69,000	
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft			226 114,000
Tie-Back				226
Tubing	12,000 ft 2 7/8" \$3.25 / ft			227 39,000
Downhole Equipment				231 20,000
Artificial Lift Equipment				232 35,000
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles			81,800	237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1293
EB2T 4965 9T00 00HE 6602

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Philip & Charlene Bennett

Street, Apt. No., or PO Box No

431 St. Andrews Drive

City, State, ZIP+4

Aptos, CA 95003

PS Form 3800, February 2000

See Reverse for Instructions

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Philip Tabor Bennett &
Charlene Mayberry Bennett, as
Trustees of the Bennett Family Trust u/t/a 10/25/93
431 St. Andrews Drive
Aptos, CA 95003

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Bennett:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

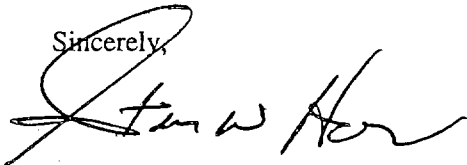
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/160 mineral interest in the above referenced property (.97750 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Case and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description		Drilling	Completion
Abstracts / Legal Fees		101	201
Surveys / Permits / Environmental		102	
Right - of - Way		103	
Location / Restoration		104	204
Job & Demob		105	205
Transportation / Hauling / Barges		106	206
Drilling / Completion Rig - Turnkey		107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,600 / D	108	208
Cementing - Materials / Services		111	211
Drilling Mud / Completion Fluids		112	212
Water		113	213
Fuel		114	214
Open Hole - Logging / Coring		115	215
Engineering / Supervision		116	216
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	217
Casing Services		118	218
Supplies		119	219
Drilling / Completion Overhead		120	220
Equipment Rentals		123	223
Surface Damages		124	
Slickline / Swabbing			228
Cased Hole - Logging / Perforating			229
Stimulation - Materials / Services			230
Coiled Tubing - Materials / Services			250
Chemicals - Other			254
Gravel Pack - Materials / Services			255
Bits - Drilling / Completion		156	256
Treating			258
Testing / Analysis			260
Communications		161	162
Labor		162	262
P & A Expense		197	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	299
	Insurance		
Contingencies		199	299
Total Intangibles		1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121	8,800	
Intermediate Liner	4,600 ft 9 5/8"	122	69,000	
Drilling Liner		122		
Production Liner	12,000 ft 7"			226
Tie-Back				226
Tubing	12,000 ft 2 7/8"			227
Downhole Equipment				231
Artificial Lift Equipment				232
Tree & Other Production Equipment		133	4,000	233
Tanks				234
Pipe, Fittings, Valves, etc.				235
Separators, Treaters, Heaters, etc.				236
Total Tangibles			81,800	114,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

7001 0320 0004 3739 9998

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

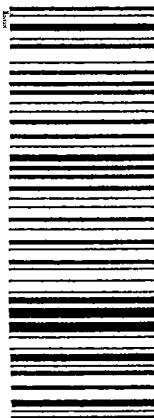
Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here
10/22/01

Sent To
Philip & Charlene Bennett
Street, Apt. No.,
431 Box St. Andrews Drive
City, State, ZIP+4
Sptos, CA 95003

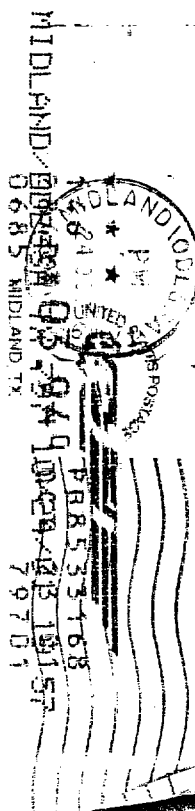
CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702



7001 0320 0004 3739 999A

Philip & Charlene Bennett
431 St. Andrews Drive
Aptos, CA 95003



- ☒ Forwarding Order Expires
- ☒ Insufficient Address
- ☐ Moved, Left No Address
- ☐ Unclaimed ☐ Refused
- ☐ Attempted - Not Known
- ☐ No Such Street
- ☐ No Such Number
- ☐ No Receipt
- ☐ Deceased
- ☐ Vacant
- Route No. 1026 Delay 10/10/01
- Initials CE

11/5

March 14, 2001

Bank of Oklahoma, N.A., as Trustee
of the Laura O. Bennett Trust u/t/a/ 11/7/75
P.O. Box 2300
Tulsa, OK 74192

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Sirs:

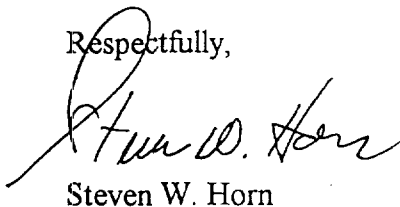
The Deed Records of Lea County, New Mexico indicate Bank of Oklahoma, N.A., as Trustee of the Laura O. Bennett Trust, u/t/a 11/7/75 of an undivided 1/80 mineral interest under the above referenced property, being an undivided 5.90 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Bank of Oklahoma, N.A., as Trustee of the Laura O. Bennett Trust u/t/a/ 11/7/75 in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Bank of Oklahoma, N.A., as Trustee
of the Laura O. Bennett, Trust u/t/a 11/7/75
P.O. Box 2300
Tulsa, Oklahoma 74192

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Sirs:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

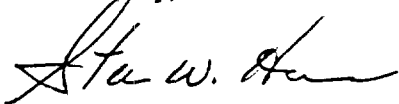
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/80 mineral interest in the above referenced property (1.955 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover <input type="checkbox"/> Injection <input type="checkbox"/> SWD <input type="checkbox"/> Other	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL
Description of Work Drill and complete exploratory well to Strawn formation.		Projected TD 12,000

INTANGIBLE COSTS

Description		Drilling		Completion
Abstracts / Legal Fees		101	500	201
Surveys / Permits / Environmental		102	500	
Right - of - Way		103		
Location / Restoration		104	24,000	2,500
Mob & Demob		105	45,000	205
Transportation / Hauling / Barges		106	10,000	15,000
Drilling / Completion Rig - Turnkey		107		207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	18,000
Cementing - Materials / Services		111	37,000	25,000
Drilling Mud / Completion Fluids		112	40,000	212
Water		113	15,000	3,000
Fuel		114		214
Open Hole - Logging / Coring		115	62,000	215
Engineering / Supervision		116	31,500	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600	
Casing Services		118	5,500	5,500
Supplies		119		219
Drilling / Completion Overhead		120	11,600	220
Equipment Rentals		123	18,000	12,000
Surface Damages		124		
Slickline / Swabbing				228
Cased Hole - Logging / Perforating				229
Stimulation - Materials / Services				230
Coiled Tubing - Materials / Services				250
Chemicals - Other				254
Gravel Pack - Materials / Services				255
Bits - Drilling / Completion		156	50,000	2,000
Treating				258
Testing / Analysis				260
Communications		161		162
Labor		162	7,500	31,000
P & A Expense		197	8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299
	Insurance		57,600	
Contingencies		199	10,000	5,000
Total Intangibles			1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121	8,800	
Intermediate Liner	4,600 ft 9 5/8"	122	69,000	
Drilling Liner		122		
Production Liner	12,000 ft 7"			114,000
Tie-Back				226
Tubing	12,000 ft 2 7/8"			227
Downhole Equipment				231
Artificial Lift Equipment				232
Tree & Other Production Equipment		133	4,000	4,000
Tanks				234
Pipe, Fittings, Valves, etc.				235
Separators, Treaters, Heaters, etc.				236
Total Tangibles			81,800	237,000
Dry Hole Cost				1,104,500
Completed Well Cost				1,535,900

APPROVALS

Company	Signature	Title	Date
---------	-----------	-------	------

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 9T00 5965 1309

Postage	\$.34	Postmark Here 10/15/2001
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Recipient's Name (Please Print Clearly) (to be completed by mailer)
Bank of Oklahoma, N.A.
Street, Apt. No. or PO Box No.
P.O. Box 2300
City, State, ZIP+4
Tulsa, Oklahoma 74192
PS Form 3800, February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bank of Oklahoma, N.A.
P.O. Box 2300
Tulsa, Oklahoma 74192

COMPLETE THIS SECTION ON DELIVERYA. Received by (Please Print Clearly) **Oct 22 200**C. Signature **Michael W. Lyne** ☐ Agent
Mailrun Courier ServiceD. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1309

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Bank of Oklahoma, N.A., as Trustee
of the Laura O. Bennett, Trust u/t/a 11/7/75
P.O. Box 2300
Tulsa, Oklahoma 74192

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Sirs:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

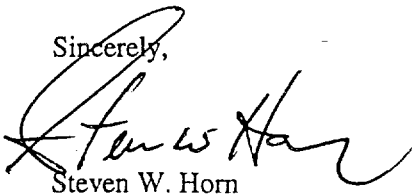
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/80 mineral interest in the above referenced property (1.955 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description		Drilling	Completion
Abstracts / Legal Fees	101	500	201
Surveys / Permits / Environmental	102	500	
Right - of - Way	103		
Location / Restoration	104	24,000	204 2,500
Mob & Demob	105	45,000	205
Transportation / Hauling / Barges	106	10,000	206 15,000
Drilling / Completion Rig - Turnkey	107		207
Drilling / Completion Rig - Day Rate	108	525,000	208 18,000
Cementing - Materials / Services	111	37,000	211 25,000
Drilling Mud / Completion Fluids	112	40,000	212
Water	113	15,000	213 3,000
Fuel	114		214
Open Hole - Logging / Coring	115	62,000	215
Engineering / Supervision	116	31,500	216 8,400
Geological / Petrophysical Services	117	19,800	
Casing Services	118	5,500	218 5,500
Supplies	119		219
Drilling / Completion Overhead	120	11,600	220
Equipment Rentals	123	18,000	223 12,000
Surface Damages	124		
Slickline / Swabbing			228
Cased Hole - Logging / Perforating			229 25,000
Stimulation - Materials / Services			230 50,000
Coiled Tubing - Materials / Services			250
Chemicals - Other			254
Gravel Pack - Materials / Services			255
Bits - Drilling / Completion	156	50,000	256 2,000
Treating			258
Testing / Analysis			260
Communications	161		162
Labor	162	7,500	262 31,000
P & A Expense	197	8,000	
Miscellaneous	199	44,400	299
Directional - 6 days @ \$ 7,400 / D		57,600	
Insurance			
Contingencies	199	10,000	299 5,000
Total Intangibles		1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121	8,800	
Intermediate Liner	4,600 ft. 9 5/8"	122	68,000	
Drilling Liner		122		
Production Liner	12,000 ft 7"			226 114,000
Tie-Back				228
Tubing	12,000 ft 2 7/8"			227 39,000
Downhole Equipment				231 20,000
Artificial Lift Equipment				232 35,000
Tree & Other Production Equipment		133	4,000	233 4,000
Tanks				234 15,000
Pipe, Fittings, Valves, etc.				235 5,000
Separators, Treaters, Heaters, etc.				236 5,000
Total Tangibles			81,800	237,000
Dry Hole Cost				1,104,500
Completed Well Cost				1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3740 0007

071175AL 000

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

Bank of Oklahoma, N.A.

Street, Apt. No.

P.O. Box 2300

Tulsa, OK 74192

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bank of Oklahoma, N.A.
P.O. Box 2300
Tulsa, OK 74192

OCT 28 2001 *OK*

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X *Trish Deas wife* 10/28/01 ☒ Agent ☐ Addressee

D. Is delivery address different from item 1?

If YES, enter delivery address below: ☒ No ☐ Yes

3. Service Type

☒ Certified Mail ☐ Express Mail☐ Registered ☐ Return Receipt for Merchandise☐ Insured Mail ☐ C.O.D.4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3740 0007

PS Form 3811, March 2001

Domestic Return Receipt

To OIL + GAS *RETURN TO* *FOR USE*

102595-01-M-142

March 14, 2001

Ronald J. Beyers
2902 Stratford Drive
Austin, TX 78746

Re: Oil & Gas Lease Proposal,
Lots 3, 4 & S/2 NW/4 (NW/4) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 316.40 net mineral acres, more or less

Dear Mr. Beyers:

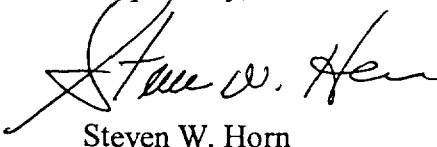
The Deed Records of Lea County, New Mexico indicate Ronald J. Beyers as the owner of an undivided 1/40 mineral interest under the above referenced property, being an undivided 7.91 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Ronald J. Beyers in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Ronald J. Beyers
2902 Stratford Drive
Austin, Texas 78746

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Beyers:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

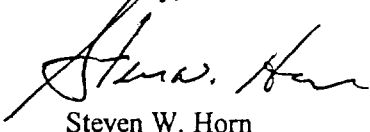
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/40 mineral interest in the above referenced property (3.91 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No.

E. S. Schaap # 1

Prospect

Northwest Knowles

APE No.

102001

☒ Exploratory Well
☐ Development Well

☐ Recompletion
☐ Workover

☐ Injection
☐ SWD

☐ Other

☒ Original
☐ Supplement

County/Parish, State
Lea County, NM

Survey/Township
Sec 4 - T17S - R38E

Unit Description/Measured Location
909' FNL & 2,310' FWL

Projected TO
12,000

Description of Work
Drill and complete exploratory well to Strawn formation.

INTANGIBLE COSTS

	Description	Drilling		Completion	
Abstracts / Legal Fees		101	500	201	
Surveys / Permits / Environmental		102	500		
Right - of - Way		103			
Location / Restoration		104	24,000	204	2,500
Mob & Demob		105	45,000	205	
Transportation / Hauling / Barges		106	10,000	206	15,000
Drilling / Completion Rig - Turnkey		107		207	
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208	18,000
Cementing - Materials / Services		111	37,000	211	25,000
Drilling Mud / Completion Fluids		112	40,000	212	
Water		113	15,000	213	3,000
Fuel		114		214	
Open Hole - Logging / Coring		115	62,000	215	
Engineering / Supervision		116	31,500	216	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600		
Casing Services		118	5,500	218	5,500
Supplies		119		219	
Drilling / Completion Overhead		120	11,600	220	
Equipment Rentals		123	18,000	223	12,000
Surface Damages		124			
Stickline / Swabbing				228	
Cased Hole - Logging / Perforating				229	25,000
Stimulation - Materials / Services				230	50,000
Coiled Tubing - Materials / Services				250	
Chemicals - Other				254	
Gravel Pack - Materials / Services				255	
Bits - Drilling / Completion		156	50,000	256	2,000
Treating				258	
Testing / Analysis				260	
Communications		161		162	
Labor		162	7,500	262	31,000
P & A Expense		197	8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299	
	Insurance		57,600		
Contingencies		199	10,000	299	5,000
Total Intangibles			1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe	400 ft	13 3/8"	\$22.00 / ft	110			
Surface Casing				121	8,800		
Intermediate Liner	4,600 ft.	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5965 9T00 004E 6607

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Ronald J. Beyers

Street, Apt. No., or P.O. Box No.

2902 Stratford Drive

City, State, ZIP+4

Austin Texas 78746

PS Form 3800, February 2000

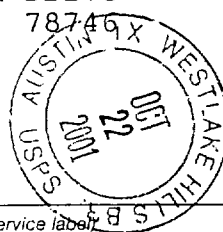
See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Ronald J. Beyers
2902 Stratford Drive
Austin, Texas 78746



2. Article Number (Copy from service label)

7099 3400 0016 5964 1323

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

ALTON WHITE JR.

C. Signature

x [Signature]

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Ronald J. Beyers
2902 Stratford Drive
Austin, Texas 78746

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Beyers:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

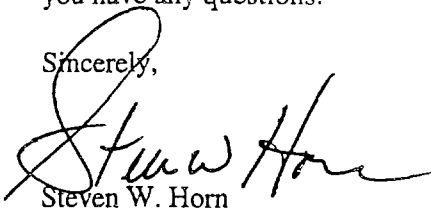
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/40 mineral interest in the above referenced property (3.91 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		A.P.E. No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input checked="" type="checkbox"/> Original	
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD	<input type="checkbox"/> Supplement	
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	108 525,000	208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	117 19,600	
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 44,400	299
Directional - 8 days @ \$ 7,400 / D		
Insurance	57,600	
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	110		
Surface Casing	121 8,800		
Intermediate Liner	122 69,000		
Drilling Liner	122		
Production Liner		226 114,000	
Tie-Back		226	
Tubing		227 39,000	
Downhole Equipment		231 20,000	
Artificial Lift Equipment		232 35,000	
Tree & Other Production Equipment	133 4,000	233 4,000	
Tanks		234 15,000	
Pipe, Fittings, Valves, etc.		235 5,000	
Separators, Treeters, Heaters, etc.		236 5,000	
Total Tangibles	81,800	237,000	
Dry Hole Cost		1,104,500	
Completed Well Cost		1,535,900	

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3740 0021

OFFICIAL USE

Postage	\$.34	Postmark Here 10/22/01
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Sent To
Ronald J. Beyers
2902 Stratford Drive
Austin, Texas 78746

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Ronald J. Beyers
2902 Stratford Drive
Austin, Texas 78746

2. Article Number
(Transfer from service label)

7001 0320 0004 3740 0021

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-14

COMPLETE THIS SECTION ON DELIVERY

Received by (Please Print Clearly) B. Date of Delivery

A. Signature C. Signature

D. Is delivery address different from item 1? ☒ Yes ☐ No

If YES, enter delivery address below: ☒ Yes ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered ☐ Return Receipt for Merchandise

☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

March 14, 2001

Dannie A. Carter, a widow
P.O. Box 2604
Harlingen, TX 78551

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Ms. Carter:

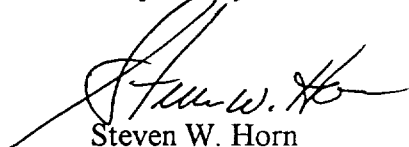
The Deed Records of Lea County, New Mexico indicate Dannie A. Carter, a widow, as the owner of an undivided 3/2560 mineral interest under the above referenced property, being an undivided .55294 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Dannie A. Carter, a widow in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

Steven W. Horn

Oil and Gas

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dannie A. Carter, a widow
P.O. Box 2604
Harlingen, Texas 78551

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Carter:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

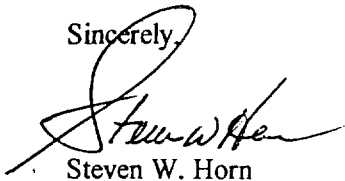
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/2560 mineral interest in the above referenced property (.18328 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TC 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 82,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe	110	
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800
Intermediate Liner	4,800 ft. 9 5/8" \$15.00 / ft	122 69,000
Drilling Liner	122	
Production Liner	12,000 ft 7" \$9.50 / ft	226 114,000
Tie-Back		226
Tubing	12,000 ft 2 7/8" \$3.25 / ft	227 39,000
Downhole Equipment		231 20,000
Artificial Lift Equipment		232 35,000
Tree & Other Production Equipment		233 4,000
Tanks	133 4,000	234 15,000
Pipe, Fittings, Valves, etc.		235 5,000
Separators, Treators, Heaters, etc.		236 5,000
Total Tangibles		81,800 237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1446
4965 9100 004E 6602

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here
10/15/2001

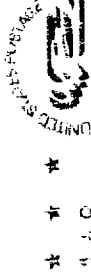
Recipient's Name (Please Print Clearly) (to be completed by mailer)
Dannie A. Carter
Street, Apt. No., or PO Box No.
P.O. Box 2604
City, State, ZIP+4
Harlingen, Texas 78551

CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702

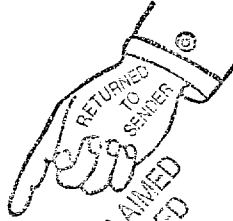


7099 3400 0016 5964 1446



149
PB8533168
03.94
1852678
04.20

MIDLAND, TEXAS



UNCLAIMED
REFUSED
M.L.N.O.
P.O.E.

ADDRESSEE UNKNOWN
NO SUCH #
NO SUCH STR.

Dannie A. Carter
P.O. Box 2604
Harlingen, Texas 78551

1074
OCT 22 2001
NOT RECORDED
NOT NOTED
RETURN

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dannie A. Carter, a widow
P.O. Box 2604
Harlingen, Texas 78551

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Carter:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

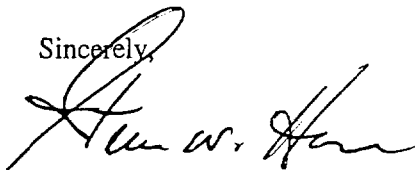
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/2560 mineral interest in the above referenced property (.18328 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

RESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,800
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Trading		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,800
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121 22,000 / ft	121 8,800	
Intermediate Liner	4,800 ft 9 5/8"	122 15,000 / ft	122 69,000	
Drilling Liner		122		
Production Liner	12,000 ft 7"	122 39,500 / ft		226 114,000
Tie-Back				226
Tubing	12,000 ft 2 7/8"	122 33,250 / ft		227 39,000
Downhole Equipment				231 20,000
Artificial Lift Equipment				232 35,000
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treators, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

7001 0320 0004 3739 9943

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

Dannie A. Carter

Street, Apt. No.

P.O. Box 2604

City, State, Zip

Harrington, Texas 78551

PS Form 3800, January 2001

See Reverse for Instructions

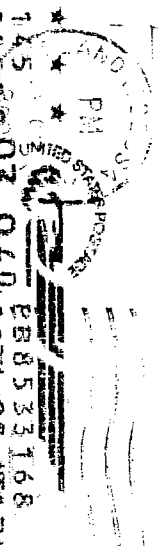
CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702



7001 0320 0004 3739 9943

MIDLAND, TEXAS 79701
0703 MIDLAND, TX

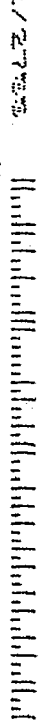


UNCLAIMED
RETURNED TO SENDER
F.O.E.
ML NO.
ADDRESSSEE LINK
INSURANCE ADD.
NO SUCH #
NO SUCH STR

Dannie A. Carter
P.O. Box 2604
Harlingen, Texas 78551

11-19-23

NAME
OCT 30 2001
For Mailing
NOV 6 2001
NOV 4 2001



March 14, 2001

Darcy Coale
42400 Soda Creek Lane
Steamboat Springs, CO 80487

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Ms. Coale:

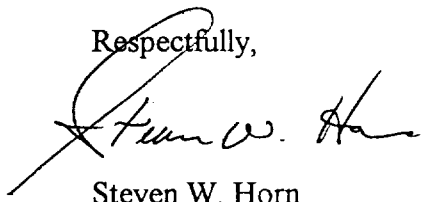
The Deed Records of Lea County, New Mexico indicate Darcy Coale as the owner of an undivided 1/160 mineral interest under the above referenced property, being an undivided 2.95 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Darcy Coale in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Darcy Coale
42400 Soda Creek Lane
Steamboat Springs, CO 80487

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Coale:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

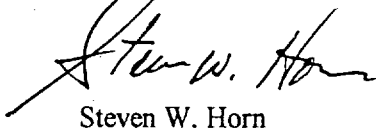
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/160 mineral interest in the above referenced property (.97750 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	108 525,000	208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	117 19,600	
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 44,400	299
Directional - 6 days @ \$ 7,400 / D		
Insurance	57,600	
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121 8,800		
Intermediate Liner	4,600 ft 9 5/8"	122 69,000		
Drilling Liner		122		
Production Liner	12,000 ft 7"		226 114,000	
Tie-Back			226	
Tubing	12,000 ft 2 7/8"		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	
Dry Hole Cost			1,104,500	
Completed Well Cost			1,535,900	

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5965 9700 4965 1286

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Darcy Coale

Street, Apt. No., or P.O. Box No.

42400 Soda Creek Lane

City, State, ZIP+4

Steamboat Springs CO 80487

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Darcy Coale
42400 Soda Creek Lane
Steamboat Springs, CO 80487

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☒ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below ☒ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1286

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Darcy Coale
42400 Soda Creek Lane
Steamboat Springs, CO 80487

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Coale:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

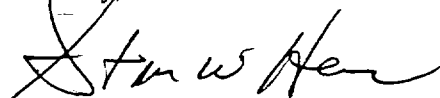
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/160 mineral interest in the above referenced property (.97750 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description		Drilling	Completion
Abstracts / Legal Fees	101	500	201
Surveys / Permits / Environmental	102	500	
Right - of - Way	103		
Location / Restoration	104	24,000	204 2,500
Mob & Demob	105	45,000	205
Transportation / Hauling / Barges	106	10,000	206 15,000
Drilling / Completion Rig - Turnkey	107		207
Drilling / Completion Rig - Day Rate	108	525,000	208 18,000
Cementing - Materials / Services	111	37,000	211 25,000
Drilling Mud / Completion Fluids	112	40,000	212
Water	113	15,000	213 3,000
Fuel	114		214
Open Hole - Logging / Coring	115	62,000	215
Engineering / Supervision	116	31,500	216 8,400
Geological / Petrophysical Services	117	19,600	
Casing Services	118	5,500	218 5,500
Supplies	119		219
Drilling / Completion Overhead	120	11,600	220
Equipment Rentals	123	18,000	223 12,000
Surface Damages	124		
Slickline / Swabbing			228
Cased Hole - Logging / Perforating			229 25,000
Stimulation - Materials / Services			230 50,000
Coiled Tubing - Materials / Services			250
Chemicals - Other			254
Gravel Pack - Materials / Services			255
Bits - Drilling / Completion	156	50,000	256 2,000
Treating			258
Testing / Analysis			260
Communications	161		162
Labor	162	7,500	262 31,000
P & A Expense	197	8,000	
Miscellaneous	199	44,400	299
Directional - 6 days @ \$ 7,400 / D		57,600	
Insurance			
Contingencies	199	10,000	299 5,000
Total Intangibles		1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800	
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000	
Drilling Liner		122	
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000
Tie-Back			226
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000
Downhole Equipment			231 20,000
Artificial Lift Equipment			232 35,000
Tree & Other Production Equipment		133 4,000	233 4,000
Tanks			234 15,000
Pipe, Fittings, Valves, etc.			235 5,000
Separators, Treeters, Heaters, etc.			236 5,000
Total Tangibles		81,800	237,000
Dry Hole Cost			1,104,500
Completed Well Cost			1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3739 9981



Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To
 Darcy Coale
 Street, Apt. No.:
 or 42400 Soda Creek Lane
 City, State, ZIP+4
 Steamboat Springs, CO 80487

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Darcy Coale
42400 Soda Creek Lane
Steamboat Springs, CO 80481

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature *E. Coale* *10/13/97*

D. Is delivery address different from item 1? ☐ Agent ☐ Addressee

If YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label) 7001 0320 0004 3739 9981

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1424

March 14, 2001

Collins Partners, LTD
5000 Burnet Road
Austin, Texas 78765

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Sirs:

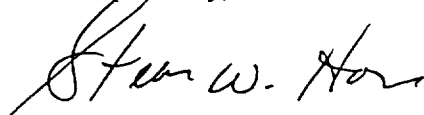
The Deed Records of Lea County, New Mexico indicate Collins Partners, LTD as the owner of an undivided 3/160 mineral interest under the above referenced property, being an undivided 8.85 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Collins Partners, LTD in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Collins Partners, LTD
5000 Burnet Road
Austin, Texas 78765

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Sirs:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

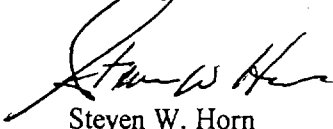
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/160 mineral interest in the above referenced property (2.93250 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowies	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Blis - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe	400 ft 13 3/8" \$22.00 / ft	110	8,800	
Surface Casing	4,800 ft. 9 5/8" \$15.00 / ft	121	69,000	
Intermediate Liner		122		
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft			225 114,000
Tie-Back				226
Tubing	12,000 ft 2 7/8" \$3.25 / ft			227 39,000
Downhole Equipment				231 20,000
Artificial Lift Equipment				232 35,000
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7099 3400 0016 5964 1262

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34	Postmark Here 10/15/2001
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Recipient's Name (Please Print Clearly) (to be completed by mailer)
Collins Partners, LTD
Street, Apt. No., or PO Box No.
5000 Burnet Road
City, State, ZIP+4
Austin, Texas 78765

PS Form 3800, February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Collins Partners LTD
5000 Burnet Road
Austin, Texas 78765

2. Article Number (Copy from service label)

7099 3400 0016 5964 1262

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery
10-23-1

C. Signature

Walter Collins☐ Agent
☐ Addressee

D. Is delivery address different from item 1?

☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Collins Partners, LTD
5000 Burnet Road
Austin, Texas 78765

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Sirs:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

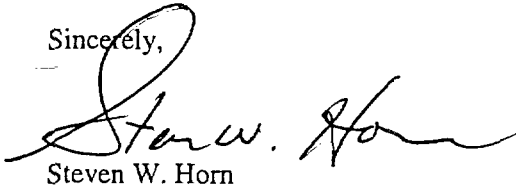
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/160 mineral interest in the above referenced property (2.93250 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A.F.C. No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling		Completion		
Abstracts / Legal Fees	101	500	201		
Surveys / Permits / Environmental	102	500			
Right - of - Way	103				
Location / Restoration	104	24,000	204	2,500	
Mob & Demob	105	45,000	205		
Transportation / Hauling / Barges	106	10,000	206	15,000	
Drilling / Completion Rig - Turnkey	107		207		
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000	
Drilling Mud / Completion Fluids	112	40,000	212		
Water	113	15,000	213	3,000	
Fuel	114		214		
Open Hole - Logging / Coring	115	62,000	215		
Engineering / Supervision	116	31,500	216	8,400	
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600		
Casing Services	118	5,500	218	5,500	
Supplies	119		219		
Drilling / Completion Overhead	120	11,600	220		
Equipment Rentals	123	18,000	223	12,000	
Surface Damages	124				
Slickline / Swabbing			228		
Cased Hole - Logging / Perforating			229	25,000	
Stimulation - Materials / Services			230	50,000	
Coiled Tubing - Materials / Services			250		
Chemicals - Other			254		
Gravel Pack - Materials / Services			255		
Bits - Drilling / Completion	156	50,000	256	2,000	
Treating			258		
Testing / Analysis			260		
Communications	161		162		
Labor	162	7,500	262	31,000	
P & A Expense	197	8,000			
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299	
Insurance			57,600		
Contingencies	199	10,000	299	5,000	
	Total Intangibles	1,022,700		202,400	

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

Collins Partners, LTD

Street, Apt. No.

5006 Burnet Road

Austin, Texas 78765

PS Form 3800, January 2001

See Reverse for Instructions

7001 0320 0004 3740 0137

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Collins Partners, LTD
5000 Burnet Road
Austin, Texas 78765

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature *Phyllis Collins* ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label) 7001 0320 0004 3740 0137

PS Form 3811, March 2001

Domestic Return Receipt

March 14, 2001

Jack Daniels, SSP
P.O. Box 1258
Hobbs, NM 88240

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Daniels:

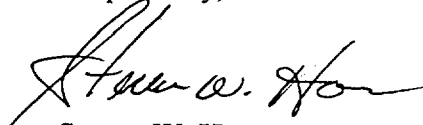
The Deed Records of Lea County, New Mexico indicate Jack Daniels, SSP as the owner of an undivided 12.7604% of 1/160 mineral interest under the above referenced property, being an undivided .37630 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Jack Daniels, SSP in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,


Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Jack Daniels, SSP
P.O. Box 1258
Hobbs, NM 88241

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Daniels:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

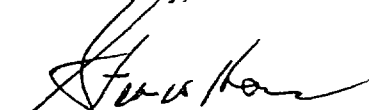
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 12.7604% of 1/160 mineral interest in the above referenced property (.12474 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No.		Prospect		APF No.	
E. S. Schaap # 1		Northwest Knowles		102001	
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other		
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD	<input type="checkbox"/> Supplement		
County/Parish, State	Survey/Township	Unit Description/Measured Location		Projected TD	
Lea County, NM	Sec 4 - T17S - R38E	909' FNL & 2,310' FWL		12,000	
Description of Work					
Drill and complete exploratory well to Strawn formation.					

INTANGIBLE COSTS

	Description	Drilling	Completion
Abstracts / Legal Fees		101 500	201
Surveys / Permits / Environmental		102 500	
Right - of - Way		103	
Location / Restoration		104 24,000	204 2,500
Mob & Demob		105 45,000	205
Transportation / Hauling / Barges		106 10,000	206 15,000
Drilling / Completion Rig - Turnkey		107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000	208 18,000
Cementing - Materials / Services		111 37,000	211 25,000
Drilling Mud / Completion Fluids		112 40,000	212
Water		113 15,000	213 3,000
Fuel		114	214
Open Hole - Logging / Coring		115 62,000	215
Engineering / Supervision		116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600	
Casing Services		118 5,500	218 5,500
Supplies		119	219
Drilling / Completion Overhead		120 11,600	220
Equipment Rentals		123 18,000	223 12,000
Surface Damages		124	
Slickline / Swabbing			228
Cased Hole - Logging / Perforating			229 25,000
Stimulation - Materials / Services			230 50,000
Coiled Tubing - Materials / Services			250
Chemicals - Other			254
Gravel Pack - Materials / Services			255
Bits - Drilling / Completion		156 50,000	256 2,000
Treating			258
Testing / Analysis			260
Communications		161	162
Labor		162 7,500	262 31,000
P & A Expense		197 8,000	
Miscellaneous	Directional - 8 days @ \$ 7,400 / D	199 44,400	299
	Insurance		57,600
Contingencies		199 10,000	299 5,000
Total Intangibles		1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe				110			
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	121	8,800		
Intermediate Liner	4,800 ft.	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1392

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly; (to be completed by mailer)

Jack Daniels, SSP

Street, Apt. No.; or PO Box No.

P.O. Box 1258

City, State, ZIP+4

Hobbs, NM 88241

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jack Daniels, SSP
P.O. Box 1258
Hobbs, NM 88241

2. Article Number (Copy from service label)

7099 3400 0016 5964 1392

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Vickie Marks 10/20

C. Signature

x Vickie Marks ☐ Agent ☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Jack Daniels, SSP
P.O. Box 1258
Hobbs, NM 88241

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Daniels:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

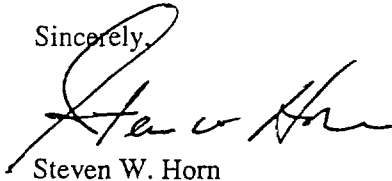
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 12.7604% of 1/160 mineral interest in the above referenced property (.12474 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Recompletion <input type="checkbox"/> Injection <input type="checkbox"/> Other <input type="checkbox"/> Development Well <input type="checkbox"/> Workover <input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL
Description of Work Drill and complete exploratory well to Strawn formation.		Projected TD 12,000

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	82,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,800		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
		57,600		
Contingencies	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe	110			
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121	8,800	
Intermediate Liner	4,600 ft 9 5/8" \$15.00 / ft	122	69,000	
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft			114,000
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227	39,000
Downhole Equipment			231	20,000
Artificial Lift Equipment			232	35,000
Tree & Other Production Equipment		133	4,000	4,000
Tanks			234	15,000
Pipe, Fittings, Valves, etc.			235	5,000
Separators, Treaters, Heaters, etc.			236	5,000
Total Tangibles			81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
---------------	-----------------	-------------	------------

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.

7001 0320 0004 3740 0052

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To	
Jack Daniels, SSP	
Street Apt. No.	
P.O. Box No.	Box 1258
City, State, ZIP+4	Hobbs, NM 88241

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jack Daniels, SSP
P.O. Box 1258
Hobbs, NM 88241

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery _____

C. Signature  ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below: _____

3. Service Type

- ☒ Certified Mail ☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7001 0320 0004 3740 0052

PS Form 3811, March 2001

Domestic Return Receipt

March 14, 2001

F. Ferrell Davis
P.O. Box 3061
Midland, Texas 79702

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Davis:

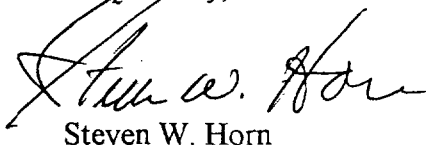
The Deed Records of Lea County, New Mexico indicate F. Ferrell Davis as the owner of an undivided 3/320 mineral interest under the above referenced property, being an undivided 4.42 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by F. Ferrell Davis in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

F. Ferrell Davis
P.O. Box 3061
Midland, Texas 79702

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Davis:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

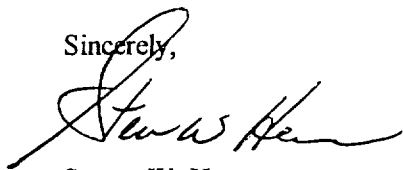
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/320 mineral interest in the above referenced property (1.46625 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		AFE no. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input type="checkbox"/> Other _____	
Country/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement Projected TD 12,000	
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description		Drilling	Completion
Abstracts / Legal Fees	101	500	201
Surveys / Permits / Environmental	102	500	
Right - of - Way	103		
Location / Restoration	104	24,000	204 2,500
Mob & Demob	105	45,000	205
Transportation / Hauling / Barges	106	10,000	206 15,000
Drilling / Completion Rig - Turnkey	107		207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000	208 18,000
Cementing - Materials / Services	111	37,000	211 25,000
Drilling Mud / Completion Fluids	112	40,000	212
Water	113	15,000	213 3,000
Fuel	114		214
Open Hole - Logging / Coring	115	62,000	215
Engineering / Supervision	116	31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600	
Casing Services	118	5,500	218 5,500
Supplies	119		219
Drilling / Completion Overhead	120	11,600	220
Equipment Rentals	123	18,000	223 12,000
Surface Damages	124		
Slickline / Swabbing			228
Cased Hole - Logging / Perforating			229 25,000
Stimulation - Materials / Services			230 50,000
Coiled Tubing - Materials / Services			250
Chemicals - Other			254
Gravel Pack - Materials / Services			255
Bits - Drilling / Completion	156	50,000	256 2,000
Treating			258
Testing / Analysis			260
Communications	161		162
Labor	162	7,500	262 31,000
P & A Expense	197	8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400	299
	Insurance	57,600	
Contingencies	199	10,000	299 5,000
Total Intangibles		1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8"	121 8,800		
Intermediate Liner	4,600 ft. 9 5/8"	122 69,000		
Drilling Liner		122		
Production Liner	12,000 ft 7"		226 114,000	
Tie-Back			228	
Tubing	12,000 ft 2 7/8"		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

7099 3400 0016 5964 1248

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
 Here
 10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)
F. Ferrell Davis
Street, Apt. No., or PO Box No.
P.O. Box 3061
City, State, ZIP+4
Midland, Texas 79702

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

F. Ferrell Davis
P.O. Box 3061
Midland, Texas 79702

2. Article Number (Copy from service label)

7099 3400 0016 5964 1248

PS Form 3811, July 1999

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

10-19-01

C. Signature

X F. Ferrell Davis☐ Agent☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☒ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

F. Ferrell Davis
P.O. Box 3061
Midland, Texas 79702

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Davis:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

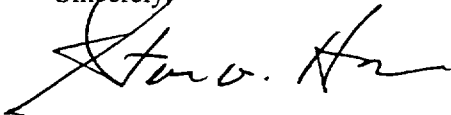
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/320 mineral interest in the above referenced property (1.46625 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

RESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		APE No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD		<input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,800		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
		57,600		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	121	8,800	
Intermediate Liner	4,800 ft	9 5/8"	122	69,000	
Drilling Liner			122		
Production Liner	12,000 ft	7"			226 114,000
Tie-Back					226
Tubing	12,000 ft	2 7/8"			227 39,000
Downhole Equipment					231 20,000
Artificial Lift Equipment					232 35,000
Tree & Other Production Equipment			133	4,000	233 4,000
Tanks					234 15,000
Pipe, Fittings, Valves, etc.					235 5,000
Separators, Treeters, Heaters, etc.					236 5,000
Total Tangibles				81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

7001 0320 0004 3740 0113

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

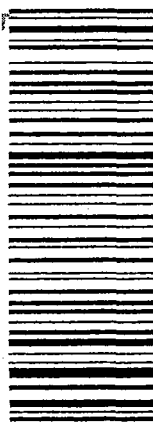
7001 0320 0004 3740 0113

Postage	\$.34	Postmark Here 10/22/01
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Sent To
F. Ferrell Davis
Street Apt. No.
P.O. Box 3061
Midland, Texas 79702

CERTIFIED MAIL

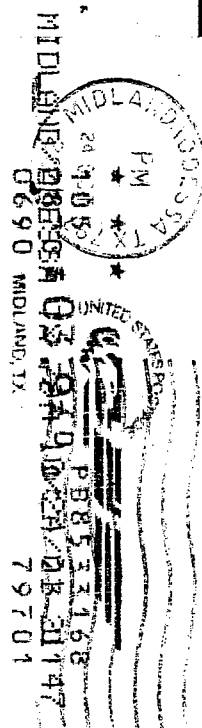
Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702



7001 0320 0004 3740 0113

ATTEMPTED, NO DELIVERY

F. Ferrell Davis
P.O. Box 3061
Midland, Texas 79702

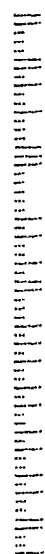


not for Box 3061

1030

1025

79702-3061/2755



March 14, 2001

Paul Davis, Jr., SSP
P.O. Box 871
Midland, Texas 79702

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Davis:

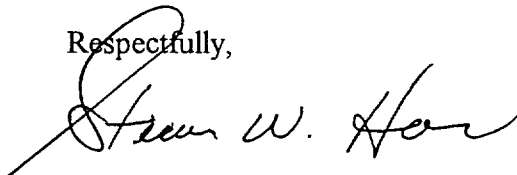
The Deed Records of Lea County, New Mexico indicate Paul Davis, Jr., SSP as the owner of an undivided 3/320 mineral interest under the above referenced property, being an undivided 4.42 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Paul Davis, Jr., SSP in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Paul Davis, Jr., SSP
P.O. Box 871
Midland, Texas 79702

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Davis:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

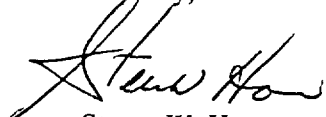
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/320 mineral interest in the above referenced property (1.46625 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
Country/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

	Description	Drilling		Completion	
Abstracts / Legal Fees		101	500	201	
Surveys / Permits / Environmental		102	500		
Right - of - Way		103			
Location / Restoration		104	24,000	204	2,500
Mob & Demob		105	45,000	205	
Transportation / Hauling / Barges		106	10,000	206	15,000
Drilling / Completion Rig - Turnkey		107		207	
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,900 / D	108	525,000	208	18,000
Cementing - Materials / Services		111	37,000	211	25,000
Drilling Mud / Completion Fluids		112	40,000	212	
Water		113	15,000	213	3,000
Fuel		114		214	
Open Hole - Logging / Coring		115	62,000	215	
Engineering / Supervision		116	31,500	216	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600		
Casing Services		118	5,500	218	5,500
Supplies		119		219	
Drilling / Completion Overhead		120	11,600	220	
Equipment Rentals		123	18,000	223	12,000
Surface Damages		124			
Slickline / Swabbing				228	
Cased Hole - Logging / Perforating				229	25,000
Stimulation - Materials / Services				230	50,000
Coiled Tubing - Materials / Services				250	
Chemicals - Other				254	
Gravel Pack - Materials / Services				255	
Bits - Drilling / Completion		156	50,000	256	2,000
Treating				258	
Testing / Analysis				260	
Communications		161		162	
Labor		162	7,500	262	31,000
P & A Expense		197	8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299	
	Insurance		57,600		
Contingencies		199	10,000	299	5,000
Total Intangibles			1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe				110			
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	121	8,800		
Intermediate Liner	4,800 ft.	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7099 3400 0016 5964 1255

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Paul Davis, Jr., SSP

Street, Apt. No., or P.O. Box No.

P.O. Box 871

City, State, ZIP+4

Midland, Texas 79702

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Paul Davis, Jr., SSP
P.O. Box 871
Midland, Texas 79702

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1255

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED

Paul Davis, LTD
P.O. Box 871
Midland, Texas 79702

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Davis:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

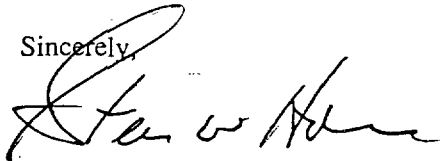
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/320 mineral interest in the above referenced property (1.46625 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		APC No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	Drilling		Completion	
	101		201	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	82,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,800		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,800	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
		57,600		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	121	8,800	
Intermediate Liner	4,800 ft	9 5/8"	122	88,000	
Drilling Liner			122		
Production Liner	12,000 ft	7"			114,000
Tie-Back					226
Tubing	12,000 ft	2 7/8"			227
Downhole Equipment					231
Artificial Lift Equipment					232
Tree & Other Production Equipment			133	4,000	233
Tanks					234
Pipe, Fittings, Valves, etc.					235
Separators, Treaters, Heaters, etc.					236
Total Tangibles				81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7001 0320 0004 3740 0120

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

Postage	\$.34
Certified Fee		2.10
Return Receipt Fee (Endorsement Required)		1.50
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	3.94

Postmark
Here

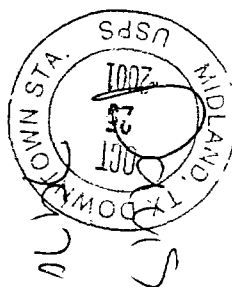
10/22/01

Sent To
Paul Davis, LTD
Street, Apt. No.,
P.O. Box No. Box 871
Midland, Texas 79702

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:



COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery _____

C. Signature

X *[Signature]* ☐ Agent ☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☐ No
If YES, enter delivery address below: _____

3. Service Type

☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label)

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-14

March 14, 2001

Lyle B. Gallivan & Mary Boxell Gallivan,
as Joint Tenants with Right of Survivorship
8270 W. 4th Avenue
Lakewood, CO 80226

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. & Ms. Gallivan:

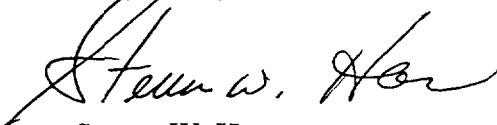
The Deed Records of Lea County, New Mexico indicate Lyle B. Gallivan & Mary Boxell Gallivan, as Joint Tenants with Right to Survivorship of an undivided 10.9375% of 1/160 mineral interest under the above referenced property, being an undivided .32255 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Lyle B. Gallivan & Mary Boxell Gallivan in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Lyle B. Gallivan & Mary Boxell Gallivan,
as Joint Tenants with Right of Survivorship
8270 W. 4th Avenue
Lakewood, CO 80226

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Gallivan:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

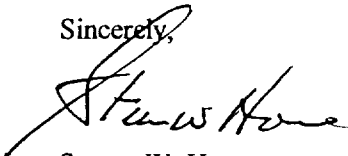
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 10.9375% of 1/160 mineral interest in the above referenced property (.10691 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well		<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover <input type="checkbox"/> Injection <input type="checkbox"/> SWD <input type="checkbox"/> Other _____	
AFE No. 102001		<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement	
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TO 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1 800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800		
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000		
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000	
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1347

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here
10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Lyle & Mary Gallivan

Street, Apt. No., or PO Box No.

8270 W. 4th Avenue

City, State, ZIP+4

Lakewood, CO 80226

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Lyle & Mary Gallivan
8270 W. 4th Avenue
Lakewood, CO 80226

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1347

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Lyle B. Gallivan & Mary Boxell Gallivan,
as Joint Tenants with Right of Survivorship
8270 W. 4th Avenue
Lakewood, CO 80226

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Gallivan:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 10.9375% of 1/160 mineral interest in the above referenced property (.10691 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling		Completion		
Abstracts / Legal Fees	101	500	201		
Surveys / Permits / Environmental	102	500			
Right - of - Way	103				
Location / Restoration	104	24,000	204	2,500	
Mob & Demob	105	45,000	205		
Transportation / Hauling / Barges	106	10,000	206	15,000	
Drilling / Completion Rig - Turnkey	107		207		
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000	
Drilling Mud / Completion Fluids	112	40,000	212		
Water	113	15,000	213	3,000	
Fuel	114		214		
Open Hole - Logging / Coring	115	62,000	215		
Engineering / Supervision	116	31,500	216	8,400	
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,800		
Casing Services	118	5,500	218	5,500	
Supplies	119		219		
Drilling / Completion Overhead	120	11,800	220		
Equipment Rentals	123	18,000	223	12,000	
Surface Damages	124				
Slickline / Swabbing			228		
Cased Hole - Logging / Perforating			229	25,000	
Stimulation - Materials / Services			230	50,000	
Coiled Tubing - Materials / Services			250		
Chemicals - Other			254		
Gravel Pack - Materials / Services			255		
Bits - Drilling / Completion	156	50,000	256	2,000	
Treating			258		
Testing / Analysis			260		
Communications	161		162		
Labor	162	7,500	262	31,000	
P & A Expense	197	8,000			
Miscellaneous	199	44,400	299		
		57,600			
Contingencies	199	10,000	299	5,000	
Total Intangibles		1,022,700		202,400	

TANGIBLE COSTS

Conductor Pipe				110			
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	121	8,800		
Intermediate Liner	4,800 ft	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						228	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treeters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7001 0320 0004 3740 0090

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

010101 055

Postage	\$.34	Postmark Here 10/22/01
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Sent To
Lyle & Mary Gullivan
Street, Apt. No.,
8270 NW. 4th Avenue
City, State, ZIP+4
Lakewood, CO 80226

SENDER: COMPLETE THIS SECTION

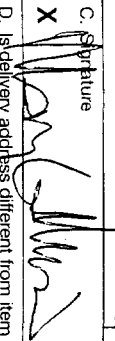
- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Lyle & Mary Gallivan
8270 W. 4th Avenue
Lakewood, CO 80226

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery
DCT 27 2001

C. Signature  ☐ Agent
D. Is delivery address different from item 1? ☒ No ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

2. Article Number 7001 0320 0004 3740 0090
(Transfer from service label)

PS Form 3811, March 2001 Domestic Return Receipt 102595-01-M-1

March 14, 2001

Alan R. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Hannifin:

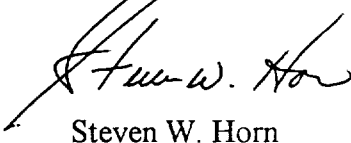
The Deed Records of Lea County, New Mexico indicate Alan R. Hannifin as the owner of an undivided 10.9375% of 1/160 mineral interest under the above referenced property, being an undivided .32255 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Alan R. Hannifin in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Alan R. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Hannifin:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

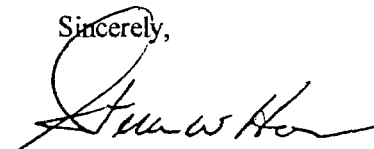
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 10.9375% of 1/160 mineral interest in the above referenced property (.10691 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AF No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 44,400	299
	57,600	
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe	110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800	
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000	
Drilling Liner	122		
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000
Tie-Back			228
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000
Downhole Equipment			231 20,000
Artificial Lift Equipment			232 35,000
Tree & Other Production Equipment	133 4,000	233 4,000	
Tanks			234 15,000
Pipe, Fittings, Valves, etc.			235 5,000
Separators, Treaters, Heaters, etc.			236 5,000
Total Tangibles		81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
---------	-----------	-------	------

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.

7099 3400 0016 5964 1224

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34	Postmark Here 10/15/2001
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Recipient's Name (Please Print Clearly) (to be completed by mailer)
Alan R. Hannifin
Street, Apt. No., or P.O. Box No.
518 17th Street, Suite 540
City, State, ZIP+4
Denver, CO 80202
PS Form 3800, February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Alan R. Hannifin
518 17th Street, Ste 540
Denver, CO 80202

2. Article Number (Copy from service label)

7099 3400 0016 5964 1224

PS Form 3811, July 1999

Domestic Return Receipt

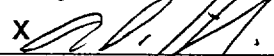
COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Hannifin

10-22-91

C. Signature

X ☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Alan R. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Hannifin:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

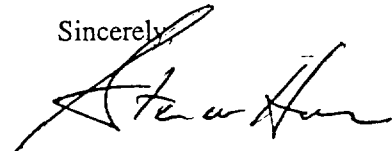
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 10.9375% of 1/160 mineral interest in the above referenced property (.10691 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	APC No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Recompletion <input type="checkbox"/> Injection <input type="checkbox"/> Other <input type="checkbox"/> Development Well <input type="checkbox"/> Workover <input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.		

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	82,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,800		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,800	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
Directional - 6 days @ \$ 7,400 / D				
Insurance		57,800		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	121	8,800	
Intermediate Liner	4,800 ft	9 5/8"	122	69,000	
Drilling Liner			122		
Production Liner	12,000 ft	7"			114,000
Tie-Back					226
Tubing	12,000 ft	2 7/8"			227
Downhole Equipment					231
Artificial Lift Equipment					232
Tree & Other Production Equipment			133	4,000	233
Tanks					234
Pipe, Fittings, Valves, etc.					235
Separators, Treaters, Heaters, etc.					236
Total Tangibles				81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To
Alan R. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

PS Form 3800, January 2001

See Reverse for Instructions

7001 0320 0004 3739 9974

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Alan R. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

Alan R. Hannifin
10-29-01

D. Is delivery address different from item 1? If YES, enter delivery address below:

☐ Yes
☒ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3739 9974

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-14

March 14, 2001

Shawn P. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Hannifin:

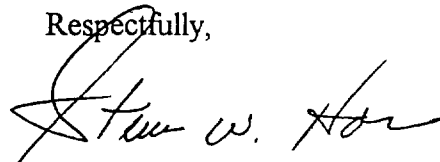
The Deed Records of Lea County, New Mexico indicate Shawn P. Hannifin as the owner of an undivided 10.9375% of 1/160 mineral interest under the above referenced property, being an undivided .32255 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Shawn P. Hannifin in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,


Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Shawn P. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Hannifin:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

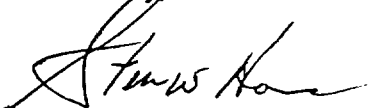
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 10.9375% of 1/160 mineral interest in the above referenced property (.10691 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD		<input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

	Description	Drilling		Completion	
Abstracts / Legal Fees		101	500	201	
Surveys / Permits / Environmental		102	500		
Right - of - Way		103			
Locallon / Restoration		104	24,000	204	2,500
Mob & Demob		105	45,000	205	
Transportation / Hauling / Barges		106	10,000	206	15,000
Drilling / Completion Rig - Turnkey		107		207	
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208	18,000
Cementing - Materials / Services		111	37,000	211	25,000
Drilling Mud / Completion Fluids		112	40,000	212	
Water		113	15,000	213	3,000
Fuel		114		214	
Open Hole - Logging / Coring		115	62,000	215	
Engineering / Supervision		116	31,500	216	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600		
Casing Services		118	5,500	218	5,500
Supplies		119		219	
Drilling / Completion Overhead		120	11,600	220	
Equipment Rentals		123	18,000	223	12,000
Surface Damages		124			
Slickline / Swabbing				228	
Cased Hole - Logging / Perforating				229	25,000
Stimulation - Materials / Services				230	50,000
Coiled Tubing - Materials / Services				250	
Chemicals - Other				254	
Gravel Pack - Materials / Services				255	
Bits - Drilling / Completion		156	50,000	256	2,000
Treating				258	
Testing / Analysis				260	
Communications		161		162	
Labor		162	7,500	262	31,000
P & A Expense		197	8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299	
	Insurance		57,600		
Contingencies		199	10,000	299	5,000
Total Intangibles			1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe				110			
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	121	8,800		
Intermediate Liner	4,600 ft.	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800	237,000	

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
---------	-----------	-------	------

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0006 9700 4965 1231

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Shawn P. Hannifin

Street, Apt. No., or PO Box No.

518 17th Street, Suite 540

City, State, ZIP+4

Denver, CO 80202

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Shawn P. Hannifin
518 17th Street, Ste 540
Denver, CO 80202

COMPLETE THIS SECTION ON DELIVERY

- A. Received by (Please Print Clearly) Hannifin B. Date of Delivery 10-22-01
- C. Signature [Signature] ☐ Agent ☐ Addressee
- D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☒ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1231

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Shawn P. Hannifin
518 17th Street, Suite 540
Denver, CO 80202

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Hannifin:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

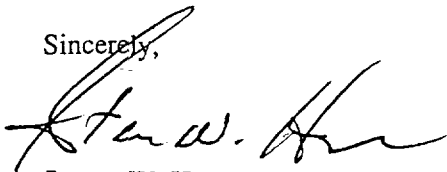
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 10.9375% of 1/160 mineral interest in the above referenced property (.10691 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A/E no. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Blts - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 44,400	299
Insurance		57,600
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	400 ft	13 3/8"	\$22.00 / ft	110			
Surface Casing				121	8,800		
Intermediate Liner	4,800 ft	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
---------	-----------	-------	------

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3740 0106

10/22/01 10:34 AM 45 E

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

Shawn P. Hannifin
Street, Apt. No.
508 167th Street, Suite 540
Box No.
Denver, CO 80202

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Shawn P. Hannifin
518 17th Street, Ste 540
Denver, CO 80202

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label) 7001 0320 0004 3740 0106

PS Form 3811, March 2001

Domestic Return Receipt

March 14, 2001

David Thomas Ingram, SSP
P.O. Box 1116
Shawnee, OK 76802

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4 & S/2 N/2 (N/2) of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 311.84 net mineral acres, more or less

Dear Mr. Ingram:

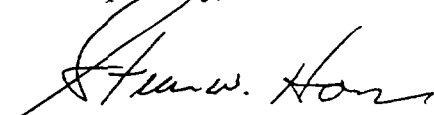
The Deed Records of Lea County, New Mexico indicate Davis Thomas Ingram, SSP as the owner of an undivided 2.3215/311.84 mineral interest under the above referenced property, being an undivided 2.32 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by David Thomas Ingram, SSP in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

Steven W. Horn

Oil and Gas

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

David Thomas Ingram, SSP
P.O. Box 1116
Shawnee, OK 76802

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Ingram:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

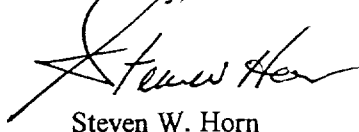
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 2.3215/311.84 mineral interest in the above referenced property (1.16432 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

	Description		Drilling		Completion
Abstracts / Legal Fees		101	500	201	
Surveys / Permits / Environmental		102	500		
Right - of - Way		103			
Location / Restoration		104	24,000	204	2,500
Mob & Demob		105	45,000	205	
Transportation / Hauling / Barges		106	10,000	206	15,000
Drilling / Completion Rig - Turnkey		107		207	
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208	18,000
Cementing - Materials / Services		111	37,000	211	25,000
Drilling Mud / Completion Fluids		112	40,000	212	
Water		113	15,000	213	3,000
Fuel		114		214	
Open Hole - Logging / Coring		115	62,000	215	
Engineering / Supervision		116	31,500	216	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600		
Casing Services		118	5,500	218	5,500
Supplies		119		219	
Drilling / Completion Overhead		120	11,600	220	
Equipment Rentals		123	18,000	223	12,000
Surface Damages		124			
Slickline / Swabbing				228	
Cased Hole - Logging / Perforating				229	25,000
Stimulation - Materials / Services				230	50,000
Coiled Tubing - Materials / Services				250	
Chemicals - Other				254	
Gravel Pack - Materials / Services				255	
Bits - Drilling / Completion		156	50,000	256	2,000
Treating				258	
Testing / Analysis				260	
Communications		161		162	
Labor		162	7,500	262	31,000
P & A Expense		197	8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299	
	Insurance		57,600		
Contingencies		199	10,000	299	5,000
Total Intangibles			1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe				110			
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	121	8,800		
Intermediate Liner	4,600 ft.	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7099 3400 0016 5964 1460

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

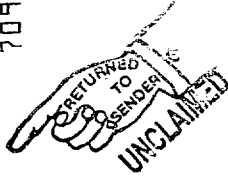
Recipient's Name (Please Print Clearly) (to be completed by mailer)
David Thomas Ingram, SSP
Street, Apt. No., or PO Box No.
P.O. Box 1116
City, State, ZIP+4
Shawnee, OK 76802

CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702

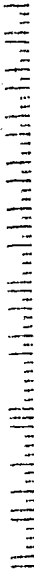
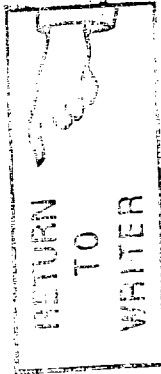


7099 3400 0016 5964 1460



No
for No

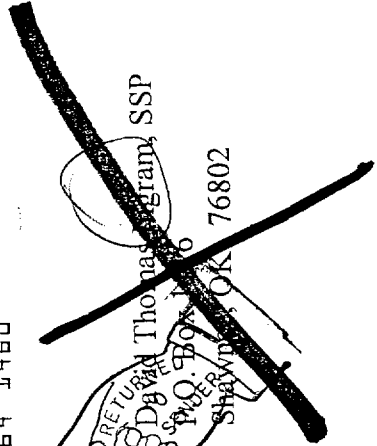
RETURNED TO SENDER
David Thomas, SSP
P.O. Box 76802
Shawnee, OK 76802



MIDLAND TX 0628 MIDLAND TX
0628 MIDLAND TX
0628 MIDLAND TX

10-22

10-29



October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

David Thomas Ingram, SSP
P.O. Box 1116
Shawnee, OK 76802

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Ingram:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

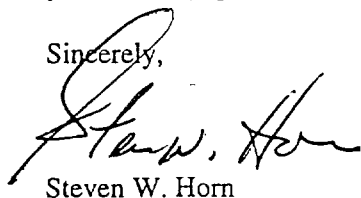
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 2.3215/311.84 mineral interest in the above referenced property (1.16432 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	APC No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD	
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,800
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800		
Intermediate Liner	4,800 ft 9 5/8" \$15.00 / ft	122 69,000		
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000	
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company _____ Signature _____ Title _____ Date _____

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.

7001 0320 0004 3739 9929

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

David Thomas Ingram, SSP

Street, Apt. No.

P.O. Box 1116

City, State, ZIP+4

Shawnee, OK 76802

PS Form 3800, January 2001

See Reverse for Instructions

CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702

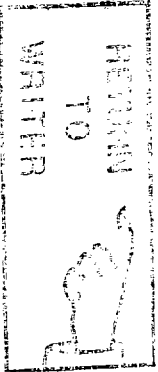


7001 0320 0004 3739 9929

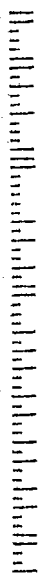
David Thomas Ingram, SSP
P.O. Box 1116
Shawnee, Oklahoma 76802

*unknown
@ the
all these*

115



74402X73752/2755



MIDLAND, TEXAS 79701
106
03-849
PB8533168
79701

March 14, 2001

Nell B. Kimball
2317 Haynes Drive
Midland, Texas 79705

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Ms. Kimball:

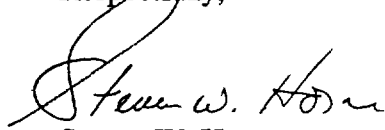
The Deed Records of Lea County, New Mexico indicate Nell B. Kimball as the owner of an undivided 1/600 mineral interest under the above referenced property, being an undivided .78640 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Nell B. Kimball in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,


Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Nell B. Kimball
2317 Haynes Drive
Midland, Texas 79705

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Kimball:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

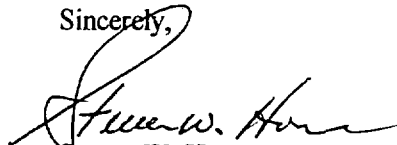
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/600 mineral interest in the above referenced property (.26067 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other _____	
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original	
			<input type="checkbox"/> Supplement	
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,600		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
Directional - 6 days @ \$ 7,400 / D		57,600		
Insurance				
Contingencies	199	10,000	299	5,000
Total Intangibles		1,022,700	202,400	

TANGIBLE COSTS

Conductor Pipe	110			
Surface Casing	121	8,800		
Intermediate Liner	122	69,000		
Drilling Liner	122			
Production Liner			226	114,000
Tie-Back			226	
Tubing			227	39,000
Downhole Equipment			231	20,000
Artificial Lift Equipment			232	35,000
Tree & Other Production Equipment	133	4,000	233	4,000
Tanks			234	15,000
Pipe, Fittings, Valves, etc.			235	5,000
Separators, Treeters, Heaters, etc.			236	5,000
Total Tangibles		81,800	237,000	

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1019

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Nell B. Kimball

Street, Apt. No., or PO Box No.

2317 Haynes Drive

City, State, ZIP+4

Midland, Texas 79705

PS Form 3800, February 2000

See Reverse for Instructions

CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702



7099 3400 0016 5964 1019



MIDLAND, TX 79701
OCT 10 1990
940 PB-85334-88

Nell B. Kimball
2317 Haynes Drive
Midland, Texas 79705

2317

10/19/90

10-6

79705-4314 54

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Nell B. Kimball
2317 Haynes Drive
Midland, Texas 79705

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Kimball:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

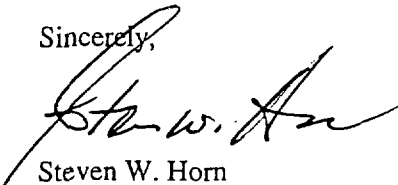
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/600 mineral interest in the above referenced property (.26067 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement	
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 82,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,800
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
	Total Intangibles	1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800		
Intermediate Liner	4,800 ft 9 5/8" \$15.00 / ft	122 89,000		
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000	
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treators, Heaters, etc.			236 5,000	
	Total Tangibles	81,800	237,000	

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

7001 0320 0004 3739 9882

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

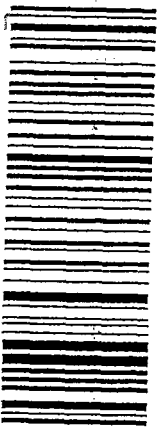
Sent To	WELL B. Kimball
Street, Apt. No., or PO Box No.	2317 Haynes Drive
City, State, Zip+4	Midland, Texas 79705

PS Form 3800, January 2001

See Reverse for Instructions

CERTIFIED MAIL

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702

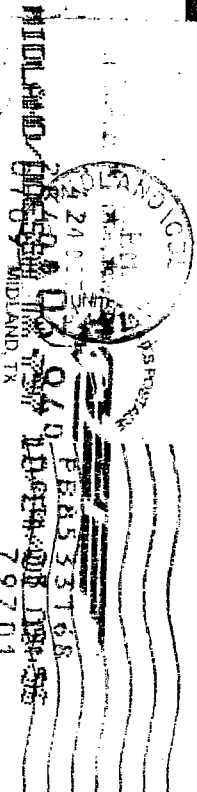
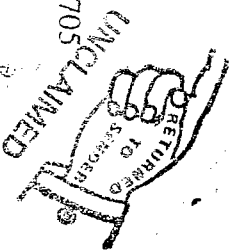


7001 0320 0004 3739 9882

Nell B. Kimball

2347 Haynes Drive
Midland, Texas 79705

UNCLAIMED



2317

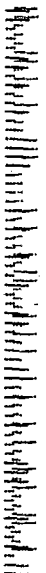
10/25/01

10-30

11-10

11-15

79705-4390842755



March 14, 2001

Rollin M. Koppell, et ux Amalie
P.O. Box 2878
Harlingen, TX 78550

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. & Mrs. Koppell:

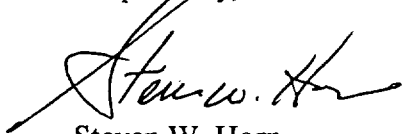
The Deed Records of Lea County, New Mexico indicate Rollin M. Koppell, et ux Amalie as the owners of an undivided 3/2560 mineral interest under the above referenced property, being an undivided .55294 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Rollin M. Koppell, et ux Amalie in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Rollin M. Koppell, et ux Amalie
P.O. Box 2878
Harlingen, Texas 78550

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Koppell:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

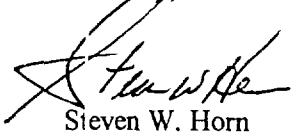
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/2560 mineral interest in the above referenced property (.18328 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

S'WH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	108 525,000	208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	117 19,600	
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Slabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 44,400	299
Directional - 6 days @ \$ 7,400 / D		
Insurance		
Contingencies	199 10,000	299 5,000
Total Intangibles		1,022,700 202,400

TANGIBLE COSTS

Conductor Pipe	110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800	
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000	
Drilling Liner		122	
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000
Tie-Back			226
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000
Downhole Equipment			231 20,000
Artificial Lift Equipment			232 35,000
Tree & Other Production Equipment		133 4,000	233 4,000
Tanks			234 15,000
Pipe, Fittings, Valves, etc.			235 5,000
Separators, Treaters, Heaters, etc.			236 5,000
Total Tangibles		81,800	237,000
Dry Hole Cost			1,104,500
Completed Well Cost			1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7099 3400 0016 5964 1453

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Rollin & Amalie Koppell

Street, Apt. No., or PO Box No.

P.O. Box 2878

City, State, ZIP+4

Harlingen, Texas 78550

PS Form 3800, February 2000

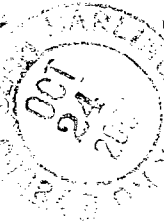
See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Rollin & Amalie Koppell
P.O. Box 2878
Harlingen, Texas 78550



2. Article Number (Copy from service label)

7099 3400 0016 5964 1453

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

[Handwritten Signature]

☐ Agent
☐ Addressee

D. Is delivery address different from item 1?

If YES, enter delivery address below:

☒ Yes
☐ No

3. Service Type

- ☒ Certified Mail
- ☐ Registered
- ☐ Insured Mail
- ☐ Express Mail
- ☐ Return Receipt for Merchandise
- ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Rollin M. Koppell, et ux Amalie
P.O. Box 2878
Harlingen, Texas 78550

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Koppell:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

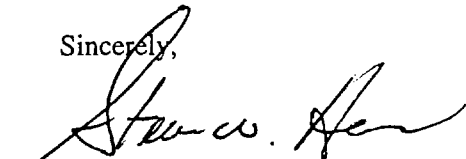
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 3/2560 mineral interest in the above referenced property (.18328 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	APC No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	101	Drilling	201	Completion
Abstracts / Legal Fees		500		
Surveys / Permits / Environmental		500		
Right - of - Way				
Location / Restoration		24,000		2,500
Mob & Demob		45,000		
Transportation / Hauling / Barges		10,000		15,000
Drilling / Completion Rig - Turnkey				
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	525,000		18,000
Cementing - Materials / Services		37,000		25,000
Drilling Mud / Completion Fluids		40,000		
Water		15,000		3,000
Fuel				
Open Hole - Logging / Coring		82,000		
Engineering / Supervision		31,500		8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	19,600		
Casing Services		5,500		5,500
Supplies				
Drilling / Completion Overhead		11,800		
Equipment Rentals		18,000		12,000
Surface Damages				
Slickline / Swabbing				
Cased Hole - Logging / Perforating				25,000
Stimulation - Materials / Services				50,000
Coiled Tubing - Materials / Services				
Chemicals - Other				
Gravel Pack - Materials / Services				
Bits - Drilling / Completion		50,000		2,000
Treating				
Testing / Analysis				
Communications				
Labor		7,500		31,000
P & A Expense		8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	44,400		
	Insurance	57,800		
Contingencies		10,000		5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	8,800	
Intermediate Liner	4,800 ft	9 5/8"	\$15.00 / ft	69,000	
Drilling Liner					
Production Liner	12,000 ft	7"	\$9.50 / ft		114,000
Tie-Back					
Tubing	12,000 ft	2 7/8"	\$3.25 / ft		39,000
Downhole Equipment					
Artificial Lift Equipment					
Tree & Other Production Equipment					
Tanks					
Pipe, Fittings, Valves, etc.					
Separators, Treeters, Heaters, etc.					
Total Tangibles				81,800	237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7001 0320 0004 3239 9936

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To

Rollin & Amalie Koppell

Street, Apt. No.
or P.O. Box No.

P.O. Box 2878

Harrington, Texas 78550

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- ☐ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☐ Print your name and address on the reverse so that we can return the card to you.
- ☐ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

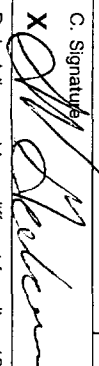
Rollin & Amalie Koppell
P.O. Box 2878
Harlingen, Texas 78550

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature


☐ Agent
☐ Address

D. Is delivery address different from item 1? ☒ Yes ☐ No

If YES, enter delivery address below:

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3739 9936

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1

March 14, 2001

Madd Ranch, Inc.
P.O. Box 536
Hobbs, NM 88240

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Sirs:

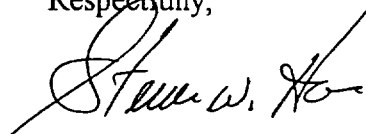
The Deed Records of Lea County, New Mexico indicate Madd Ranch, Inc., as the owner of an undivided 18.2293% of 1/160 mineral interest under the above referenced property, being an undivided .53758 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Madd Ranch, Inc., in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Madd Ranch, Inc.
P.O. Box 536
Hobbs, NM 88240

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Sirs:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

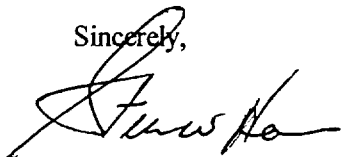
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 18.2293% of 1/160 mineral interest in the above referenced property (.17819 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description		Drilling		Completion
Abstracts / Legal Fees		101	500	201
Surveys / Permits / Environmental		102	500	
Right - of - Way		103		
Location / Restoration		104	24,000	204 2,500
Mob & Demob		105	45,000	205
Transportation / Hauling / Barges		106	10,000	206 15,000
Drilling / Completion Rig - Turnkey		107		207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208 18,000
Cementing - Materials / Services		111	37,000	211 25,000
Drilling Mud / Completion Fluids		112	40,000	212
Water		113	15,000	213 3,000
Fuel		114		214
Open Hole - Logging / Coring		115	62,000	215
Engineering / Supervision		116	31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600	
Casing Services		118	5,500	218 5,500
Supplies		119		219
Drilling / Completion Overhead		120	11,600	220
Equipment Rentals		123	18,000	223 12,000
Surface Damages		124		
Slickline / Swabbing				228
Cased Hole - Logging / Perforating				229 25,000
Stimulation - Materials / Services				230 50,000
Coiled Tubing - Materials / Services				250
Chemicals - Other				254
Gravel Pack - Materials / Services				255
Bits - Drilling / Completion		156	50,000	256 2,000
Treating				258
Testing / Analysis				260
Communications		161		162
Labor		162	7,500	262 31,000
P & A Expense		197	8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299
	Insurance		57,600	
Contingencies		199	10,000	299 5,000
Total Intangibles			1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121	8,800	
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122	69,000	
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft			226 114,000
Tie-Back				226
Tubing	12,000 ft 2 7/8" \$3.25 / ft			227 39,000
Downhole Equipment				231 20,000
Artificial Lift Equipment				232 35,000
Tree & Other Production Equipment		133	4,000	233 4,000
Tanks				234 15,000
Pipe, Fittings, Valves, etc.				235 5,000
Separators, Treaters, Heaters, etc.				236 5,000
Total Tangibles			81,800	237,000
Dry Hole Cost				1,104,500
Completed Well Cost				1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1378

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Madd Ranch, Inc.

Street, Apt. No., or PO Box No.

P.O. Box 536

City, State, ZIP+4

Hobbs, NM 88240

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Madd Ranch, Inc.
P.O. Box 536
Hobbs, NM 88240

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

Vickie Marks

B. Date of Delivery

7/26/96

C. Signature

X Vickie Marks

☐ Agent
☐ AddresseeD. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1378

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Madd Ranch, Inc.
P.O. Box 536
Hobbs, NM 88240

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Sirs:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

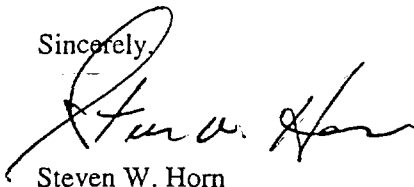
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 18.2293% of 1/160 mineral interest in the above referenced property (.17819 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		AP # no. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	101	Drilling	201	Completion
Abstracts / Legal Fees		500		
Surveys / Permits / Environmental		500		
Right - of - Way				
Location / Restoration		24,000		2,500
Mob & Demob		45,000		
Transportation / Hauling / Barges		10,000		15,000
Drilling / Completion Rig - Turnkey				
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	525,000		18,000
Cementing - Materials / Services		37,000		25,000
Drilling Mud / Completion Fluids		40,000		
Water		15,000		3,000
Fuel				
Open Hole - Logging / Coring		62,000		
Engineering / Supervision		31,500		8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	19,800		
Casing Services		5,500		5,500
Supplies				
Drilling / Completion Overhead		11,800		
Equipment Rentals		18,000		12,000
Surface Damages				
Slickline / Swabbing				
Cased Hole - Logging / Perforating				25,000
Stimulation - Materials / Services				50,000
Coiled Tubing - Materials / Services				
Chemicals - Other				
Gravel Pack - Materials / Services				
Bits - Drilling / Completion		50,000		2,000
Treating				
Testing / Analysis				
Communications				
Labor		7,500		31,000
P & A Expense		8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	44,400		
	Insurance	57,600		
Contingencies		10,000		5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe	110	8,800	226	114,000
Surface Casing	121	8,800		
Intermediate Liner	122	69,000		
Drilling Liner	122			
Production Liner				
Tie-Back				
Tubing				
Downhole Equipment				
Artificial Lift Equipment				
Tree & Other Production Equipment	133	4,000		4,000
Tanks				15,000
Pipe, Fittings, Valves, etc.				5,000
Separators, Treisters, Heaters, etc.				5,000
Total Tangibles		81,800		237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service

CERTIFIED MAIL RECEIPT

(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3740 0069

POSTAGE	PAID	10/22/01
---------	------	----------

Postage	\$.34	Postmark Here 10/22/01
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Sent To	
Madd Ranch, Inc.	
Street Apt. No.	P.O. Box 536
City, State, ZIP+4	Hobbs, NM 88240

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Madd Ranch, Inc.
P.O. Box 536
Hobbs, NM 88240

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Deliv

C. Signature

☒ Agent ☐ Address

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchand
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3740 0069

PS Form 3811, March 2001

Domestic Return Receipt



March 14, 2001

Clark Phipps, Successor Trustee of the
Kent C. Phipps Trust u/t/a 2/28/68
525 S. Main, Suite 1500
Tulsa, OK 74103

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Phipps:

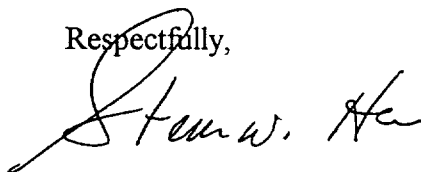
The Deed Records of Lea County, New Mexico indicate Clark Phipps as the trustee of an undivided 1/80 mineral interest under the above referenced property, being an undivided 5.90 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Clark Phipps, Trustee, in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Clark Phipps, Successor Trustee of the
Kent C. Phipps Trust u/t/a 2/28/68
525 S. Main, Suite 1500
Tulsa, OK 74103

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Phipps:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

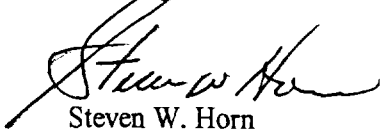
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/80 mineral interest in the above referenced property (1.955 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Recompletion <input type="checkbox"/> Injection <input type="checkbox"/> Other _____ <input type="checkbox"/> Development Well <input type="checkbox"/> Workover <input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.		

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,600		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
Directional - 6 days @ \$ 7,400 / D				
Insurance		57,600		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	221	8,800	
Intermediate Liner	4,600 ft.	9 5/8"	122	69,000	
Drilling Liner			122		
Production Liner	12,000 ft	7"			226 114,000
Tie-Back					226
Tubing	12,000 ft	2 7/8"			227 39,000
Downhole Equipment					231 20,000
Artificial Lift Equipment					232 35,000
Tree & Other Production Equipment			133	4,000	233 4,000
Tanks					234 15,000
Pipe, Fittings, Valves, etc.					235 5,000
Separators, Treaters, Heaters, etc.					236 5,000
Total Tangibles				81,800	237,000
Dry Hole Cost					1,104,500
Completed Well Cost					1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1279

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Clark Phipps

Street, Apt. No., or PO Box No.

525 S. Main, Suite 1500

City, State, ZIP+4

Tulsa, Oklahoma 74103

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Clark Phipps
525 S. Main, Suite 1500
Tulsa, OK 74103

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X 

☐ Agent
☐ Addressee

D. Is delivery address different from item 1? If YES, enter delivery address below:

☐ Yes
☒ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1279

PS Form 3811, July 1999

Domestic Return Receipt

102595-00 M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Clark Phipps, Successor Trustee of the
Kent C. Phipps Trust u/t/a 2/28/68
525 S. Main, Suite 1500
Tulsa, OK 74103

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Phipps:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

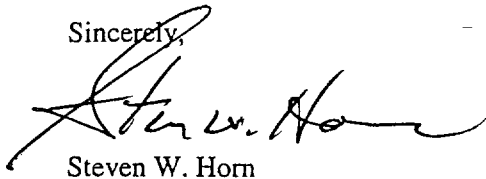
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/80 mineral interest in the above referenced property (1.955 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD	<input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 44,400	299
	Insurance 57,600	
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	400 ft 13 3/8" \$22.00 / ft	110		
Surface Casing		121 8,800		
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000		
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000	
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treators, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7001 0320 0004 3740 0144

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To
Clark Phipps
Street, Apt. No.:
or PO Box No.
525 S. Main, Suite 1500
City, State, ZIP+4
Tulsa, OK 74103

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Clark Phipps
525 S. Main, Suite 1500
Tulsa, OK 74103

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X

☐ Agent
☐ Address

D. Is delivery address different from item 1? If YES, enter delivery address below:

☐ Yes
☒ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes2. Article Number
(Transfer from service label) 7001 0320 0004 3740 0144

PS Form 3811, March 2001

Domestic Return Receipt

102595-01 M-1

March 14, 2001

Sam H. Seed & Lisa J. Seed
Joint Tenants with Right of Survivorship
13207 Calle Alto
Hobbs, NM 88240

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. & Ms. Seed:

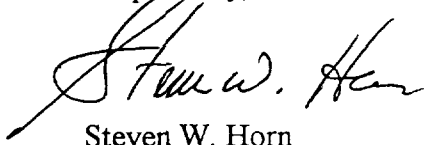
The Deed Records of Lea County, New Mexico indicate Sam H. Seed & Lisa J. Seed as Joint Tenants with Right of Survivorship of an undivided 12.50% of 1/160 mineral interest under the above referenced property, being an undivided .36863 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Sam H. Seed & Lisa J. Seed in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Sam H. Seed & Lisa J. Seed,
as Joint Tenants with Right of Survivorship
13207 Calle Alto
Hobbs, NM 88240

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Seed:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

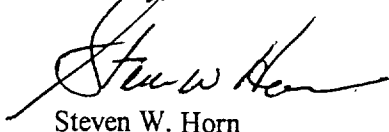
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 12.50% of 1/160 mineral interest in the above referenced property (.12219 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description		Drilling	Completion
Abstracts / Legal Fees		101 500	201
Surveys / Permits / Environmental		102 500	
Right - of - Way		103	
Location / Restoration		104 24,000	204 2,500
Mob & Demob		105 45,000	205
Transportation / Hauling / Barges		106 10,000	206 15,000
Drilling / Completion Rig - Turnkey		107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000	208 18,000
Cementing - Materials / Services		111 37,000	211 25,000
Drilling Mud / Completion Fluids		112 40,000	212
Water		113 15,000	213 3,000
Fuel		114	214
Open Hole - Logging / Coring		115 62,000	215
Engineering / Supervision		116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,600	
Casing Services		118 5,500	218 5,500
Supplies		119	219
Drilling / Completion Overhead		120 11,600	220
Equipment Rentals		123 18,000	223 12,000
Surface Damages		124	
Slickline / Swabbing			228
Cased Hole - Logging / Perforating			229 25,000
Stimulation - Materials / Services			230 50,000
Coiled Tubing - Materials / Services			250
Chemicals - Other			254
Gravel Pack - Materials / Services			255
Bits - Drilling / Completion		156 50,000	256 2,000
Treating			258
Testing / Analysis			260
Communications		161	162
Labor		162 7,500	262 31,000
P & A Expense		197 8,000	
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199 44,400	299
	Insurance		57,600
Contingencies		199 10,000	299 5,000
Total Intangibles		1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe		110		
Surface Casing	400 ft 13 3/8" \$22.00 / ft	121 8,800		
Intermediate Liner	4,600 ft. 9 5/8" \$15.00 / ft	122 69,000		
Drilling Liner		122		
Production Liner	12,000 ft 7" \$9.50 / ft		226 114,000	
Tie-Back			226	
Tubing	12,000 ft 2 7/8" \$3.25 / ft		227 39,000	
Downhole Equipment			231 20,000	
Artificial Lift Equipment			232 35,000	
Tree & Other Production Equipment		133 4,000	233 4,000	
Tanks			234 15,000	
Pipe, Fittings, Valves, etc.			235 5,000	
Separators, Treaters, Heaters, etc.			236 5,000	
Total Tangibles		81,800	237,000	

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 004E 6602
1965 9100 004E 6602

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Sam & Lisa Seed

Street, Apt. No., or PO Box No.

13207 Calle Alto

City, State, ZIP+4

Hobbs, NM 88240

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sam & Lisa Seed
13207 Calle Alto
Hobbs, NM 88240

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

Sam Seed

B. Date of Delivery

10-20-01

C. Signature

Sam Seed

☐ Agent☒ AddresseeD. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☒ No

3. Service Type

☒ Certified Mail ☐ Express Mail

☐ Registered ☐ Return Receipt for Merchandise

☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1361

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Sam H. Seed & Lisa J. Seed,
as Joint Tenants with Right of Survivorship
13207 Calle Alto
Hobbs, NM 88240

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. & Mrs. Seed:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

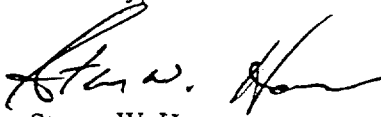
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 12.50% of 1/160 mineral interest in the above referenced property (.12219 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,


Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate 42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000	208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services Mud Logging - 28 days @ \$ 700 / D	117 19,600	
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous Directional - 6 days @ \$ 7,400 / D	199 44,400	299
Insurance	57,600	
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	400 ft	13 3/8"	\$22.00 / ft	110			
Surface Casing				121	8,800		
Intermediate Liner	4,800 ft	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

7001 0320 0004 3740 0076

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To	
Sam & Lisa Seed	
Street, Apt. No., or P.O. Box	13207 Calle Alto
Hobbs, NM 88240	

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sam & Lisa Seed
13207 Calle Alto
Hobbs, NM 88240

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

Sam SEED

B. Date of Delivery

10-26-01

C. Signature

X

☐ Agent
☒ Address

D. Is delivery address different from item 1?

if YES, enter delivery address below: ☒ Yes ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3740 0076

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1

March 14, 2001

Pacific Enterprises ABC Corporation
3131 Turtle Creek Blvd., Suite 1101
Dallas, Texas 75129

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Sirs:

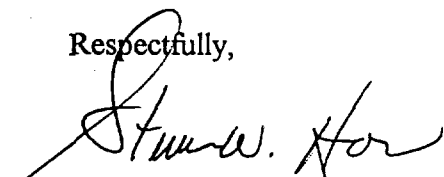
The Deed Records of Lea County, New Mexico indicate Pacific Enterprises ABC Corporation as the owner of an undivided 1/60 mineral interest under the above referenced property, being an undivided 7.86 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Pacific Enterprises ABC Corporation in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Sempra Energy Production Co.
8235 Douglas Avenue, Suite 525
Dallas, Texas 75225

Attn: Sara Williams

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Williams:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

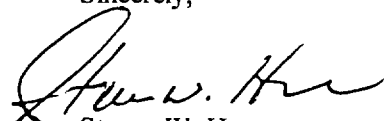
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/60 mineral interest in the above referenced property (2.60667 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE no. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,600		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
		57,600		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	221	8,800	
Intermediate Liner	4,600 ft.	9 5/8"	122	69,000	
Drilling Liner			122		
Production Liner	12,000 ft	7"			226 114,000
Tie-Back					226
Tubing	12,000 ft	2 7/8"			227 39,000
Downhole Equipment					231 20,000
Artificial Lift Equipment					232 35,000
Tree & Other Production Equipment			133	4,000	233 4,000
Tanks					234 15,000
Pipe, Fittings, Valves, etc.					235 5,000
Separators, Treaters, Heaters, etc.					236 5,000
Total Tangibles				81,800	237,000
Dry Hole Cost					1,104,500
Completed Well Cost					1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 9765 1316

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here
10/15/2001

Address: ~~Name and Complete P.O. Address (To be completed by mailer)~~
Sempra Energy Production Co.
Street, Apt. No., or PO Box No.
8235 Douglas Avenue, Ste. 525
City, State, ZIP+4
Dallas, Texas 75225

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sempra Energy Resources Co.
8235 Douglas Ave., Ste 525
Dallas, Texas 75225

Attn: Sara Williams

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

D. Is delivery address different from item 1? If YES, enter delivery address below:

Yes ☐ No ☒

Agent ☐ Addressee ☐

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes ☐

2. Article Number (Copy from service label)

7099 3400 0016 5964 1316

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Sempra Energy Production Co.
8235 Douglas Avenue, Suite 525
Dallas, Texas 75225

Attn: Sara Williams

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Williams:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

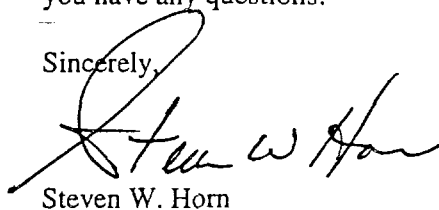
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 1/60 mineral interest in the above referenced property (2.60667 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	101	Drilling	201	Completion
Abstracts / Legal Fees		500		
Surveys / Permits / Environmental		500		
Right - of - Way				
Location / Restoration		24,000		2,500
Mob & Demob		45,000		
Transportation / Hauling / Barges		10,000		15,000
Drilling / Completion Rig - Turnkey				
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	525,000		18,000
Cementing - Materials / Services		37,000		25,000
Drilling Mud / Completion Fluids		40,000		
Water		15,000		3,000
Fuel				
Open Hole - Logging / Coring		62,000		
Engineering / Supervision		31,500		8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	19,600		
Casing Services		5,500		5,500
Supplies				
Drilling / Completion Overhead		11,600		
Equipment Rentals		18,000		12,000
Surface Damages				
Slickline / Swabbing				
Cased Hole - Logging / Perforating				25,000
Stimulation - Materials / Services				50,000
Coiled Tubing - Materials / Services				
Chemicals - Other				
Gravel Pack - Materials / Services				
Bits - Drilling / Completion		50,000		2,000
Treating				
Testing / Analysis				
Communications				
Labor		7,500		31,000
P & A Expense		8,000		
Miscellaneous	Directional - 8 days @ \$ 7,400 / D	44,400		
	Insurance	57,600		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Description	110	Drilling	226	Completion
Conductor Pipe				
Surface Casing	400 ft 13 3/8"	8,800		
Intermediate Liner	4,800 ft 9 5/8"	69,000		
Drilling Liner				
Production Liner	12,000 ft 7"			114,000
Tie-Back				
Tubing	12,000 ft 2 7/8"			39,000
Downhole Equipment				20,000
Artificial Lift Equipment				35,000
Tree & Other Production Equipment		4,000		4,000
Tanks				15,000
Pipe, Fittings, Valves, etc.				5,000
Separators, Treaters, Heaters, etc.				5,000
Total Tangibles		81,800		237,000

Dry Hole Cost	1,104,500
Completed Well Cost	1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

4100 042E 4000 02E0 1002

10/22/01 USA

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/22/01

Sent To Attn: Sara Williams
Semptra Energy Production Co.
Street, Apt. No.
8235 Douglas Avenue, Suite 525
City, State, Zip
Dallas, Texas 75225

PS Form 3800, January 2001

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sempra Energy Production Co.
8235 Douglas Ave, Ste 525
Dallas, Texas 75225
Attn: Sara Williams

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

10/26/11

C. Signature

x B. McElhiney

☐ Agent
☐ Address

D. Is delivery address different from item 1? If YES, enter delivery address below:

☐ Yes
☒ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes2. Article Number
(Transfer from service label)

7001 0320 0004 3740 0014

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M

March 14, 2001

E. Lila Snow
4223 S. Darlington Avenue
Tulsa, OK 74135

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Ms. Snow:

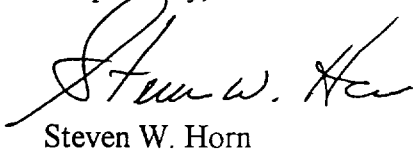
The Deed Records of Lea County, New Mexico indicate E. Lila Snow as the owner of an undivided 6% of 1/40 mineral interest under the above referenced property, being an undivided .70776 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by E. Lila Snow in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

E. Lila Snow
4223 S. Darlington Avenue
Tulsa, OK 74135

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Snow:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

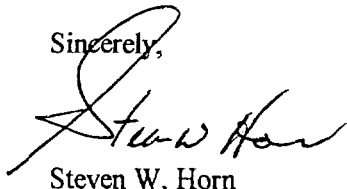
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 6% of 1/40 mineral interest in the above referenced property (.23460 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	AFE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

	Description	Drilling		Completion	
Abstracts / Legal Fees		101	500	201	
Surveys / Permits / Environmental		102	500		
Right - of - Way		103			
Locallor / Restoration		104	24,000	204	2,500
Mob & Demob		105	45,000	205	
Transportation / Hauling / Barges		106	10,000	206	15,000
Drilling / Completion Rig - Turnkey		107		207	
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108	525,000	208	18,000
Cementing - Materials / Services		111	37,000	211	25,000
Drilling Mud / Completion Fluids		112	40,000	212	
Water		113	15,000	213	3,000
Fuel		114		214	
Open Hole - Logging / Coring		115	62,000	215	
Engineering / Supervision		116	31,500	216	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117	19,600		
Casing Services		118	5,500	218	5,500
Supplies		119		219	
Drilling / Completion Overhead		120	11,600	220	
Equipment Rentals		123	18,000	223	12,000
Surface Damages		124			
Slickline / Swabbing				228	
Cased Hole - Logging / Perforating				229	25,000
Stimulation - Materials / Services				230	50,000
Coiled Tubing - Materials / Services				250	
Chemicals - Other				254	
Gravel Pack - Materials / Services				255	
Bits - Drilling / Completion		156	50,000	256	2,000
Treating				258	
Testing / Analysis				260	
Communications		161		162	
Labor		162	7,500	262	31,000
P & A Expense		197	8,000		
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	199	44,400	299	
	Insurance		57,600		
Contingencies		199	10,000	299	5,000
Total Intangibles			1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe		110			
Surface Casing	400 ft 13 3/8"	121	8,800		
Intermediate Liner	4,600 ft. 9 5/8"	122	69,000		
Drilling Liner		122			
Production Liner	12,000 ft 7"			226	114,000
Tie-Back				226	
Tubing	12,000 ft 2 7/8"			227	39,000
Downhole Equipment				231	20,000
Artificial Lift Equipment				232	35,000
Tree & Other Production Equipment		133	4,000	233	4,000
Tanks				234	15,000
Pipe, Fittings, Valves, etc.				235	5,000
Separators, Treaters, Heaters, etc.				236	5,000
Total Tangibles			81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0016 5964 1439

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/25/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

E. Lila Snow

Street, Apt. No., or PO Box No.

4223 S. Darlington Avenue

City, State, ZIP+4

Tulsa, OK 74135

PS Form 3800, February 2000

See Reverse for Instructions

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702

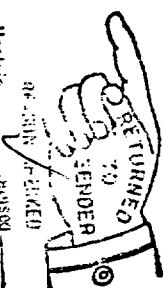


7099 3400 0016 5964 1659 UNRAED

ATTEMPTED NOT KNOWN
MIDLAND, TEXAS
62-5
79701

110
389
822
MIDLAND, TX
03/09/90
PB85-33768
TUE 05/04
79701

E. Lila Snow
4223 S. Darlington Avenue
Tulsa, OK 74135



Unclassified _____
 Alter. of No. _____
 Inspection _____
 No such _____
 No such _____
 Do not remain in this envelope _____

1. **Identify the main components of the system.**
 2. **Describe the system architecture.**
 3. **Explain the system's purpose and goals.**
 4. **Detail the system's components and their interactions.**
 5. **Discuss the system's performance and efficiency.**
 6. **Outline the system's security and safety measures.**
 7. **Provide a conclusion and future work.**

2446
61
61
X
00
61
61
2
80
61

[illegible]

Noted
10-20-01
10 25
11-4

11/10
7:15
11:35

October 22, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

E. Lila Snow
4223 S. Darlington Avenue
Tulsa, OK 74135

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Ms. Snow:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

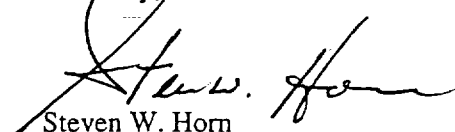
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 6% of 1/40 mineral interest in the above referenced property (.23460 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,


Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. <div style="text-align: center; font-weight: bold;">E. S. Schaap # 1</div>	Prospect <div style="text-align: center; font-weight: bold;">Northwest Knowles</div>	AFE no. <div style="text-align: center; font-weight: bold;">102001</div>
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover <input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input type="checkbox"/> Other <input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State <div style="font-weight: bold;">Lea County, NM</div>	Survey/Township <div style="font-weight: bold;">Sec 4 - T17S - R38E</div>	Unit Description/Measured Location <div style="font-weight: bold;">909' FNL & 2,310' FWL</div>
Description of Work <div style="font-weight: bold;">Drill and complete exploratory well to Strawn formation.</div>		Projected TD <div style="font-weight: bold;">12,000</div>

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	108 42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D 525,000	208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	117 Mud Logging - 28 days @ \$ 700 / D 19,600	
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	199 Directional - 6 days @ \$ 7,400 / D 44,400	299
	Insurance 57,600	
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	110	
Surface Casing	121 400 ft 13 3/8" \$22.00 / ft 8,800	
Intermediate Liner	122 4,600 ft 9 5/8" \$15.00 / ft 69,000	
Drilling Liner	122	
Production Liner	12,000 ft 7" \$9.50 / ft	226 114,000
Tie-Back		226
Tubing	12,000 ft 2 7/8" \$3.25 / ft	227 39,000
Downhole Equipment		231 20,000
Artificial Lift Equipment		232 35,000
Tree & Other Production Equipment	133 4,000	233 4,000
Tanks		234 15,000
Pipe, Fittings, Valves, etc.		235 5,000
Separators, Treaters, Heaters, etc.		236 5,000
Total Tangibles	81,800	237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3739 9950



Postage	\$.34	Postmark Here 10/22/01
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	

Sent To
E. Lila Snow
 Street Apt. No.
4223 S. Darlington Avenue
 City, State, Zip
Tulsa, OK 74135

SENDER: COMPLETE THIS SECTION

- ☐ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☐ Print your name and address on the reverse so that we can return the card to you.
- ☐ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

E. Lila Snow
4223 S. Darlington Avenue
Tulsa, Oklahoma 74135

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

Signature

X

☐ Agent
☐ Addressee

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below: **XX**No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3739 9950

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-14-142

March 14, 2001

Mike Tinley
P.O. Box 1258
Hobbs, NM 88240

Re: Oil & Gas Lease Proposal,
Lots 1, 2, 3, 4, S/2 N/2 (N/2) & SW/4 of Section 4
T-17-S, R-38-E, N.M.P.M.
Lea County, New Mexico
Containing 471.84 net mineral acres, more or less

Dear Mr. Tinley:

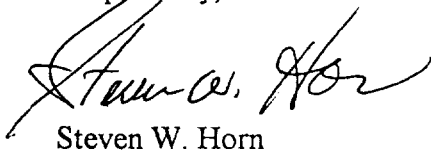
The Deed Records of Lea County, New Mexico indicate Mike Tinley as the owner of an undivided 12.7604% of 1/160 mineral interest under the above referenced property, being an undivided .37630 net mineral acres.

Please let this letter serve as an offer to lease all of the undivided mineral interest owned by Mike Tinley in the above referenced property according to the terms listed below:

- Three (3) year lease
Paid Up
- 3/16 Royalty
- \$75.00/acre bonus consideration

Your consideration and prompt response in this matter would be greatly appreciated. Please feel free to contact me with any questions or concerns you may have at (915) 683-2449.

Respectfully,



Steven W. Horn

SWH/ae

October 15, 2001

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Mike Tinley
P.O. Box 1258
Hobbs, NM 88241

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Tinley:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

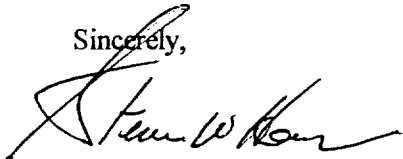
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 12.7604% of 1/160 mineral interest in the above referenced property (.12474 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Three (3) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1	Prospect Northwest Knowles	APE No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Recompletion <input type="checkbox"/> Injection <input type="checkbox"/> Other _____ <input type="checkbox"/> Development Well <input type="checkbox"/> Workover <input type="checkbox"/> SWD		
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.		

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,600		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,600	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
Directional - 6 days @ \$ 7,400 / D		57,600		
Insurance				
Contingencies	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe				110			
Surface Casing	400 ft	13 3/8"	\$22.00 / ft	121	8,800		
Intermediate Liner	4,800 ft.	9 5/8"	\$15.00 / ft	122	69,000		
Drilling Liner				122			
Production Liner	12,000 ft	7"	\$9.50 / ft			226	114,000
Tie-Back						226	
Tubing	12,000 ft	2 7/8"	\$3.25 / ft			227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks						234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treeters, Heaters, etc.						236	5,000
Total Tangibles					81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company _____	Signature _____	Title _____	Date _____
IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

5981 4965 9700 0000 0000 6602

Postage	\$.34
Certified Fee	2.10
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 3.94

Postmark
Here

10/15/2001

Recipient's Name (Please Print Clearly) (to be completed by mailer)

Mike Tinley
Street, Apt. No., or P.O. Box No.
P.O. Box 1258
City, State, ZIP+4
Hobbs, NM 88241

PS Form 3800, February 2000

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mike Tinley
P.O. Box 1258
Hobbs, NM 88241

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X Nickie Marks 7/6/99
□ Agent
□ Addressee

D. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below: XX

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)

7099 3400 0016 5964 1385

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

October 22, 2001

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mike Tinley
P.O. Box 1258
Hobbs, NM 88241

Re: E.S. Schaap #1
T-17-S, R-38-E, N.M.P.M.
Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)
Lea County, New Mexico
Containing 156.40 acres, more or less

Dear Mr. Tinley:

Preston Exploration, LLC, hereby proposes the drilling of an approximate 12,000' Strawn test well at a location 909 FNL & 2,310 FWL, Section 4, T-17-S, R-38-E, N.M.P.M., Lea County, New Mexico. Enclosed are two (2) copies of our AFE dated October 5, 2001. We propose that the spacing unit for the test well be Lot 3 (NE/4 NW/4) containing approximately 38.08 acres. We intend to commence drilling operations before March 1, 2002.

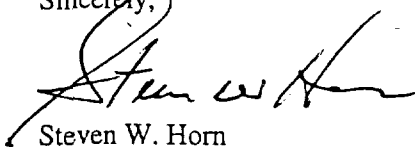
As the owner of an unleased mineral interest in the above referenced property, you are entitled to participate in the drilling of the proposed well. If you wish to participate, please so indicate by signing and returning one copy of the enclosed AFE as soon as possible. We will prepare and forward for your review a proposed joint operating agreement.

If you prefer not to participate in the proposed well, further to our previous conversations and/or correspondence, we again request a lease of your 12.7604% of 1/160 mineral interest in the above referenced property (.12474 net mineral acres) on the following terms:

1. A bonus consideration of \$250.00 per net mineral acre
2. A 1/5 royalty
3. Two (2) year primary term (paid-up)

If the above lease terms are acceptable, please so advise as soon as possible and we will forward an oil and gas lease for your signature. Your early response to this proposal is appreciated. Please call me at (915) 683-2449 if you have any questions.

Sincerely,



Steven W. Horn

SWH/ae

Enclosures: 2

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles		A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well	<input type="checkbox"/> Recompletion	<input type="checkbox"/> Injection	<input type="checkbox"/> Other	
<input type="checkbox"/> Development Well	<input type="checkbox"/> Workover	<input type="checkbox"/> SWD		<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL		Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.				

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101	500	201	
Surveys / Permits / Environmental	102	500		
Right - of - Way	103			
Location / Restoration	104	24,000	204	2,500
Mob & Demob	105	45,000	205	
Transportation / Hauling / Barges	106	10,000	206	15,000
Drilling / Completion Rig - Turnkey	107		207	
Drilling / Completion Rig - Day Rate	108	525,000	208	18,000
Cementing - Materials / Services	111	37,000	211	25,000
Drilling Mud / Completion Fluids	112	40,000	212	
Water	113	15,000	213	3,000
Fuel	114		214	
Open Hole - Logging / Coring	115	62,000	215	
Engineering / Supervision	116	31,500	216	8,400
Geological / Petrophysical Services	117	19,800		
Casing Services	118	5,500	218	5,500
Supplies	119		219	
Drilling / Completion Overhead	120	11,800	220	
Equipment Rentals	123	18,000	223	12,000
Surface Damages	124			
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	25,000
Stimulation - Materials / Services			230	50,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	50,000	256	2,000
Treating			258	
Testing / Analysis			260	
Communications	161		162	
Labor	162	7,500	262	31,000
P & A Expense	197	8,000		
Miscellaneous	199	44,400	299	
Insurance		57,800		
Contingencies				
	199	10,000	299	5,000
Total Intangibles		1,022,700		202,400

TANGIBLE COSTS

Conductor Pipe			110		
Surface Casing	400 ft	13 3/8"	121	8,800	
Intermediate Liner	4,800 ft.	9 5/8"	122	69,000	
Drilling Liner			122		
Production Liner	12,000 ft	7"			114,000
Tie-Back					226
Tubing	12,000 ft	2 7/8"			227
Downhole Equipment					231
Artificial Lift Equipment					232
Tree & Other Production Equipment			133	4,000	233
Tanks					234
Pipe, Fittings, Valves, etc.					235
Separators, Treaters, Heaters, etc.					236
Total Tangibles				81,800	237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.</p>			

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7001 0320 0004 3740 0045



Postage	\$.34	Postmark Here
Certified Fee	2.10	
Return Receipt Fee (Endorsement Required)	1.50	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 3.94	10/22/01

Sent To
Mike Tinley
Street, Apt. No.,
or P.O. No. Box 1258
City, State, ZIP+4
Hobbs, NM 88241

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mike Tinley
P.O. Box 1258
Hobbs, NM 88241

COMPLETE THIS SECTION ON DELIVERY

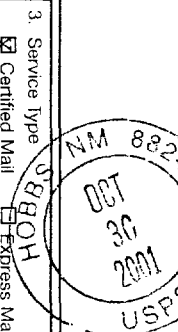
A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

☐ Agent
☐ Address

D. Is delivery address different from item 1? ☒ Yes ☐ No
If YES, enter delivery address below:



3. Service Type

- ☒ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7001 0320 0004 3740 0045

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-1

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. E. S. Schaap # 1		Prospect Northwest Knowles	A/E No. 102001
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Location 909' FNL & 2,310' FWL	Projected TD 12,000
Description of Work Drill and complete exploratory well to Strawn formation.			

INTANGIBLE COSTS

Description	Drilling	Completion
Abstracts / Legal Fees	101 500	201
Surveys / Permits / Environmental	102 500	
Right - of - Way	103	
Location / Restoration	104 24,000	204 2,500
Mob & Demob	105 45,000	205
Transportation / Hauling / Barges	106 10,000	206 15,000
Drilling / Completion Rig - Turnkey	107	207
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	108 525,000 208 18,000
Cementing - Materials / Services	111 37,000	211 25,000
Drilling Mud / Completion Fluids	112 40,000	212
Water	113 15,000	213 3,000
Fuel	114	214
Open Hole - Logging / Coring	115 62,000	215
Engineering / Supervision	116 31,500	216 8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	117 19,800 217
Casing Services	118 5,500	218 5,500
Supplies	119	219
Drilling / Completion Overhead	120 11,600	220
Equipment Rentals	123 18,000	223 12,000
Surface Damages	124	
Slickline / Swabbing		228
Cased Hole - Logging / Perforating		229 25,000
Stimulation - Materials / Services		230 50,000
Coiled Tubing - Materials / Services		250
Chemicals - Other		254
Gravel Pack - Materials / Services		255
Bits - Drilling / Completion	156 50,000	256 2,000
Treating		258
Testing / Analysis		260
Communications	161	162
Labor	162 7,500	262 31,000
P & A Expense	197 8,000	
Miscellaneous	Directional - 8 days @ \$ 7,400 / D	198 44,400 299
	Insurance	57,600
Contingencies	199 10,000	299 5,000
Total Intangibles	1,022,700	202,400

TANGIBLE COSTS

Conductor Pipe	400 ft 13 3/8"	\$22.00 / ft	110	8,800	
Surface Casing	4,800 ft 9 5/8"	\$15.00 / ft	121	69,000	
Intermediate Liner			122		
Drilling Liner			122		
Production Liner	12,000 ft 7"	\$9.50 / ft			226 114,000
Tie-Back					226
Tubing	12,000 ft 2 7/8"	\$3.25 / ft			227 39,000
Downhole Equipment					231 20,000
Artificial Lift Equipment					232 35,000
Tree & Other Production Equipment			133 4,000	233 4,000	
Tanks				234 15,000	
Pipe, Fittings, Valves, etc.				235 5,000	
Separators, Treaters, Heaters, etc.				236 5,000	
Total Tangibles			81,800		237,000

Dry Hole Cost

1,104,500

Completed Well Cost

1,535,900

APPROVALS

<i>E. S. Schaap</i> Company	<i>Mark Sims</i> Signature	<i>Pres. Repr.</i> Title	<i>10-29-01</i> Date
--------------------------------	-------------------------------	-----------------------------	-------------------------

IT IS RECOGNIZED THAT THE 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 AMOUNTS HEREIN SET OUT.