# 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

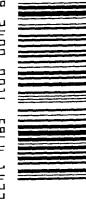
SWH/ae

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	E. S.	Schaap # 1		1100		Northwest Know	rles		10200
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Location / Restoration	าก	<del></del>				104	24,000	204	2,5
Mob & Demob		<del></del>				105	45,000	205	2,3
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Orilling / Completion						107		207	
Drilling / Completion		42 Days @	\$ 12,500 / [	& 10 days @ \$ 1,800 / D	<del> </del>	108	525,000	208	18,0
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Engineering / Superv	-					116	31,500	216	8,4
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Casing Services						118	5,500	218	5,5
Supplies	_					119		219	
Orilling / Completion	Overhead					120	11,600	220	10.00
Equipment Rentals						123	18,000	223	12,00
Surface Damages Slickline / Swabbing	;					124		228	
Cased Hole - Logging	/ Perforating							229	25,00
Stimulation - Material	-							230	50,00
Coiled Tubing - Mate	rials / Services							250	
Chemicals - Other			_					254	
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Communications						161		162	
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#### U.S. Postal Service **CERTIFIED MAIL RECEIPT** (Domestic Mail Only; No Insurance Coverage Provided) 1477 5964 .34 Postage 2.10 Certified Fee Postmark 9700 Return Receipt Fee (Endorsement Required) 1.50 Here Restricted Delivery Fee (Endorsement Required) 10/15/2001 00hE 3.94 Total Postage & Fees \$ Recipient's Name (Please Print Clearly) (to be completed by mailer) Barbara Sue Beller, SSP Street, Apt. No., or PO Box No. 7099 920 Las Cruces City, State, ZIP+4 Ventura, CA 93003

Midland, Texas 79702





SENDER'S SUCH

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

1		STON EXPL		N, LL				
Liase and Well No.		AUTHORIZATION FOR	EXPENDITURE	· · · · · · · · · · · · · · · · · · ·				IAFE no.
	E. S. Schaap # 1		·	Northwest I	(now	rles		10200
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Right - of - Way					103			
Location / Restoration Mob & Demob					104	24,000 45,000	204	2,5
Transportation / Hauling / Barges		·····			108	10,000	205	15,0
Drilling / Completion Rig - Turnkey					107		207	10,0
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wnhole Equipment							231	20,000
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parators, Treaters, Heaters, etc.							236	5,000
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7007	Wentura,			
1	PS Form 3800; January 20	101		See Reverse for Instructions,

Halldahallandahallandahallala Barbara Sue Beller, SSP 920 Las Cruces Ventura, CA 93003 7001 0320 0004 3739 9912 P. O. Box 2755 Midland, Texas 79702 Steven W. Horn Oil and Gas

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 Glena 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 Glena 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

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

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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:

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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

	PRE	STON EXPL	ORATION, LL	3			
Lease and Well No.		AUTHORIZATION FO					JAFE No.
	Schaap #1		Northwe	st Knowl	es		102001
Exploratory Well Development Well	<ul><li>☐ Recompletion</li><li>☐ Workover</li></ul>	☐ Injection ☐ SWD	Other				☐Original ☐Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R	38E	Unit Description/Measured Loca 909' FNL & 2,310'				Projected TO 12,000
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Surveys / Permits / Environmental				102	500		
Right - of - Way Location / Restoration				103	24,000	204	2,500
Mob & Demob				105	45,000	205	2,300
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	1 & 10 days @ \$ 1,800 / D		108	525,000	208	18,000
Cementing - Materials / Services Drilling Mud / Completion Fluids				111	37,000 40,000	211	25,000
Water				113	15,000	213	3,000
Fuel				114		214	
Open Hole - Logging / Coring				115	62,000	215	
Engineering / Supervision	Mod Leaves 29 days	@ \$ 700 / D		116	31,500 19,600	216	8,400
Geological / Petrophysical Services Casing Services	Mud Logging - 28 days	@ \$ 700 7 D		118	5,500	218	5,500
Supplies				119		219	
Orilling / Completion Overhead				120	11,600	220	
Equipment Rentals				123	18,000	223	12,000
Surface Damages Slickline / Swabbing				124		228	
Cased Hole - Logging / Perforating						229	25,000
Stimulation - Materials / Services						230	50,000
Colled Tubing - Materials / Services						250	
Chemicals - Other Gravei Pack - Materials / Services				-		254 255	
Bits - Drilling / Completion				156	50,000	256	2,000
Treating						258	
Testing / Analysis				$\perp$		260	
Communications Labor				161	7,500	162 262	31,000
P & A Expense			·····	197	8,000	202	31,000
Miscellaneous	Directional - 6 days @ \$	7,400 / D		199	44,400	299	
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Production Liner Tie-Back	12,000 ft 7°	\$9.50 / ft		+		226	114,000
Tubing	12,000 ft 2 7/8"	\$3.25 / ft				227	39,000
Downhole Equipment				$\perp \perp \perp$		231	20,000
Artificial Lift Equipment				122	4,000	232	35,000 4,000
Tree & Other Production Equipment Tanks				133	4,000	233	15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.						236	5,000
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pany	Signature		Title			Date	

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) 1,538 5964 .34 Postage Certified Fee 2.10 Postmark 0016 Return Receipt Fee (Endorsement Required) Here 1.50 10/15/2001 Restricted Delivery Fee (Endorsement Required) 3.94 Total Postage & Fees \$ Recipient's Name (Please Print Clearly) (to be completed by mailer) Glena Lu Miller 7099 512 Ross Blvd Pecos, Texas 79772

PS Form 3800. February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul> <li>Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Received by (Please Print Clearly) B. Date of Deliver 16-27 C. Signature X Sulva Mullip Addresse
1. Article Addressed to: Glena Lu Miller 512 Ross Blvd. Pecos, Texas 79772	D. Is delivery address different from item 1? ☐ Yes  If YES, enter delivery address below: XX No
· · · · · · · · · · · · · · · · · · ·	3. Service Type  XX Certified Mail
2. Article Number (Copy from service label) 17:09:9 3400 0016 5964 1538	
PS Form 3811, July 1999 Domestic Re	turn 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:

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Sincerely

Steven W Horn

SWH/ae

			rRE	STON EXP	LORATIO	ON, LL	<u> </u>			
Lease and Well No.					FOR EXPENDITUR	Ε				
Exploratory Well	E. S. S	ichaap # 1	mpletion	☐ Injection	☐ Other	Northwe	st Knov	wies		10200
County/Parsh, State	<u> </u>	☐ Work		SWD	Unit Descrip	cion/Measured Loc	itlon			Supplement Projected TD
Lea County, NM			T17S - F	38E		NL & 2,310'				12,00
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<b>经报过类型</b> 加强			State-of the state	INTANGIE	BLE:COSTSPA					
			Description	<del> </del>				Drilling		Completion
Abstracts / Legal Fees Surveys / Permits / Envi	momental .						101	500 500	201	
Right - of - Way				····			103	300	<del></del>	<del> </del>
Location / Restoration							104	24,000	204	2,5
Mob & Demob					· <del>- · · · · - · - · · · · · · · · · · · </del>	···	105	45,000	205	
Transportation / Hauling Drilling / Completion Rig						~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	106	10,000	206	15,0
Orlling / Completion Rig	•	42 Days @	\$ 12,500 / [	6 10 days @ \$ 1,800 / D	)		108	525,000	208	18,0
Cementing - Materials /							111	37,000	211	25,0
Dritting Mud / Completion	n Fluids						112	40,000	212	
Water Fuel							113	15,000	213	3,0
Open Hole - Logging / C	oring						115	62,000	214	
Engineering / Supervisio	п					···	116	31,500	216	8,4
Geologicai / Petrophysic	al Services	Mud Loggi	ng - 28 days	@ \$ 700 / D			117	19,600		
Casing Services Supplies						· <del>············</del>	118	5,500	218	5,5
Orilling / Completion Ove	rhead						120	11,600	220	·
Equipment Rentals							123	18,000	223	12,0
Surface Damages							124			
Slickline / Swabbing Cased Hole - Logging / P	: edocation								228	25.0
Stimulation - Materials / S	-				<del></del>			<del> </del>	229	50.0
Coiled Tubing - Materials	/ Services								250	
Chemicals - Other									254	
Gravel Pack - Materials /		·							255	
Bits - Drilling / Completion Freating	'						158	50,000	256 258	2,00
Testing / Analysis					<del> </del>				260	
Communications							161		162	
abor			<del> </del>				162	7,500	262	31,00
<sup>o</sup> & A Expense Alscellaneous		Directional	- 6 days @ \$	7.400 / D			197	8,000 44,400	299	
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roduction Liner		12,000 ft	7	\$9.50 / ft			1-1-4		226	114,00
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Postage \$ 34	
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(Endorsement Required)	lere
Restricted Delivery Fee (Endorsement Required)	2/01
Total Postage & Fees \$ 3.94	
Sent To  Glena Lu Miller  Street, Apr. No.:	7

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2. Article Number (Transfer from service label, 7001 0320 01	·	512 Ross Blvd. Pecos, Texas 79772	Glena Lu Miller	Article Addressed to:	<ul> <li>SENDER: COMPLETE THIS SECTION</li> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>
7001 0320 0004 3739 9899	3. Service Type  CACertified Mail			If YES, enter delivery address below: 15 No	COMPLETE THIS SECTION ON DELIVERY  A. Received by (Please Print Clearly)  C. Signature  X. H. G. Signature

Domestic Return Receipt

PS Form 3811, March 2001

102595-01-M-142

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

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Orilling / Completion							107		207	
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Fuel					<del></del>		114	22.222	214	
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Casing Services							118	5,500	218	5,500
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Bits - Drilling / Compi				······································	···-		156	50,000	256	2,000
Treating									258	
Testing / Analysis							101		260	
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Drilling Liner							122			
Production Liner		12,000 ft	7*	\$9.50 / ft					226	114,000
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Artificial Lift Equipmen									232	35,000
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Separators, Treaters,	Heaters, etc.								236	5,000
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U.S. Postal Service CERTIFIED MAIL RECEIPT
(Damestic Mail Only; No Insurance Coverage Provided) 1293 5964 Postage | \$ .34 Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) 0076 Here 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 00hE 3.94 Total Postage & Fees \$ 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 7099 Aptos, CA 95003
PS Form 3800, February 2000 See Reverse for Instructions

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





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

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.

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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.

Steven W. Horn

SWH/ae

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be & Other Production Equipment   133   4,000   233   4,   hks                   hks                 hks               hks               hks               hks               hks               hks               hks               hks               hks             hks             hks             hks             hks             hks             hks             hks             hks             hks             hks             hks             hks           hks             hks           hks             hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks           hks         hks           hks           hks           hks           hks         hks         hks         hks         hks         hks         hks         hks         hks         hks         hks         hks         hks         hks         hks         hks       hks       hks       hks       hks       hks       hks       hks       hks       hks       hks       hks									231	20,00
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4000	Restricted Delivery Fee (Endorsement Required)			10/22/01
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E	Sent To			
1007	Philip & C 45 Pox St. An Sptos, CA	drew	s Driv	i e
•	PS Form 0800, January 21	001		See Reverse for Instructions

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

farlene Bepriett

Forwarding Order Expired
Dissufficient Address
Discontinued Discontinued
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Deceased
Vacant
Route No L

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

,	PF		LORATION, LL	<u>C</u>			
Lease and Well No.		AUTHORIZATION F	OR EXPENDITURE				TAFE NO.
	. Schaap # 1		Northwe	st Knowl	les		102001
Exploratory Well	Recompletio		☐ Other				Original
Development Well	☐ Workover	□ SWD	Unit Description/Measured Loc	ation			Supplement
Lea County, NM	Sec 4 - T17S	- R38E	909' FNL & 2,310				12,000
Drill and complete explorator	ry well to Strawn f	ormation.					
			LE COSTS (	9/1800-145 A		N. Fisher X	
Abstracts / Legal Fees	Descr	iption		101	Drilling 500	201	Completion
Surveys / Permits / Environmental				102	500	- 201	
Right - of - Way				103			
Location / Restoration				104	24,000	204	2,500
Mob & Demob				105	45,000	205	
Transportation / Hauling / Barges	<del></del>			106	10,000	206	15,000
Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate	42 Days @ \$ 12 5	00 / D & 10 days @ \$ 1,800 / D		107	525,000	207	18,000
Cementing - Materials / Services	42 Days @ \$ 12,56	00 7 D to 10 days @ \$ 1,000 7 D		111	37,000	211	25,000
Drilling Mud / Completion Fluids				112	40,000	212	25,550
Water				113	15,000	213	3,000
Fuel				114		214	
Open Hale - Lagging / Coring				115	62,000	215	
Engineering / Supervision	M. 11 - 1 CC	Tana 6 5 700 10	<del></del>	116	31,500	216	8,400
Geological / Petrophysical Services Casing Services	Mud Logging - 28 o	ays @ \$ 7007D		117	19,600 5,500	748	5,500
Supplies		<del></del>		119	5,300	218	3,300
Drilling / Completion Overhead	<del></del>	<del></del>		120	11,600	220	
Equipment Rentals				123	18,000	223	12,000
Surface Damages				124			
Slickline / Swabbling						228	05.000
Cased Hole - Logging / Perforating Stimulation - Materials / Services						229	25,000 50,000
Colled Tubing - Materials / Services	<del></del>			-++	<del></del>	250	30,000
Chemicals - Other						254	
Gravel Pack - Materials / Services		<del></del>		1		255	<del></del>
Bits - Drilling / Completion				156	50,000	256	2,000
Treating						258	
Testing / Analysis						260	
Communications				161		162	<del></del>
Labor P & A Expense				162	7,500 8,000	262	31,000
Miscellaneous	Directional - 6 days	@ \$ 7 400 / D		199	44,400	299	
W. San Market St.	Insurance	<u>@ • · ; · · · · · · · · · · · · · · · · ·</u>			57,600	1 255	
						+	
Contingencies		<del></del>		199	10,000	299	5,000
		·	Total Intangibles		1,022,700		202,400
California de la como		TANGIBLE	COSTS		Mishe, Tea		
Conductor Pipe				110			
Surface Casing	400 ft 13 3			121	8,800		
Intermediate Liner	4,600 ft. 9 5/8	s" \$15.00 / ft		122	69,000	4	
Drilling Liner Production Liner	12,000 ft 7°	\$9,50 / ft	·	122		225	114,000
Production Liner Tie-Back	12,000 11 /	98,507 R		++	·····	225	114,000
Tubing	12,000 ft 2.7/8	s* \$3,25 / ft				227	39,000
Downhole Equipment						231	20,000
Artificial Lift Equipment						232	35,000
Tree & Other Production Equipment		<u></u>	<del></del>	133	4,000	233	4,000
Tanks Pipe, Fittings, Valves, etc.						234	15,000 5,000
Separators, Treaters, Heaters, etc.		<del> </del>		<del></del>	<del></del>	236	5,000
			Total Tangibles		81,800	1	237,000
				Dry Hole (		T	1,104,500
			Co	mpleted W		+	1,535,900
and the second s							
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рапу	Signa	aure	Title			Date	
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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.

10	U.S. Postal S CERTIFIED (Domestic Mail C	MAIL		EIPT Coverage Provided)			
J. 3 (1		<del>,</del>					
91. L	Postage	\$	.34				
<u> </u>	Certified Fee	2	.10	Postmark			
<u>-</u>	Return Receipt Fee (Endorsement Required)	1	.50	Here			
0078	Restricted Delivery Fee (Endorsement Required)			10/15/2001			
	Total Postage & Fees	\$ 3	.94				
ΉE	Recipient's Name (Please Print Clearly) (to be completed by mailer)						
7099	Bank of Oklahoma, N.A.  Street, Apt. No. or PO Box No. P.O. Box 2300  City, State, 219-4						
	Tulsa, Okl		741	9 Z See Reverse for Instructions			

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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.	A. Received by (Please Print Clearly CB Date of Delive
<ul> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	C. Signatichael W. Lyne Agent Mailrun Courier Services
1. Article Addressed to:  Bank of Oklahoma, N.A.  2.0. BOx 2300  Pulsa, Oklahoma 74192	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 Merchandis □ Insured Mail □ C.O.D.  4. Restricted Delivery? (Extra Fee) □ Yes
Article Number (Copy from service label)     7099 3400 0016 5964 1309	
PS Form 3811, July 1999 Domestic Ro	eturn 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.

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- 3. Two (2) year primary term (paid-up)

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Sincerely,

Steven W. Horn

SWH/ae

		PRESTON EX			· 			
Lance and Well No.			FOR EXPENDITURE					AFE No.
Exploratory Wei	ı	Schaap # 1 Injection Workover SWD	☐ Other	Northwest	st Knowles			10200 ElOriginal
County/Parish, State		Survey/Township		or/Measured Locatio				Supplement Projected TD
Lea County, NI		Sec 4 - T17S - R38E	[909, FNI	L & 2,310' F	WL			12,00
Drill and comp	lete explorator	ry well to Strawn formation.					·	
		INTANGI	BLE COST <b>S</b>		(P) (C)			
Abstracts / Legal Feet	3	Description			101	Drilling 500	201	Completion
Surveys / Permits / En	vironmental				102	500		
Right - of - Way			· · · · · · · · · · · · · · · · · · ·	<del></del>	103			
Location / Restoration Mob & Demob			<del></del>	<del></del>	104	24,000	204	2,5
Transportation / Haulis	ng / Barnes				105	45,000 10,000	205	15,0
Orilling / Completion F	•	**************************************			107	10,000	207	13,01
Drilling / Completion R		42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 /	D		108	525,000	208	18,0
Cementing - Materials					111	37,000	211	25,0
Drilling Mud / Complet Water	on Fluids		<del></del>	<del></del>	112	40,000 15,000	212	3.0
Fuel					114	10,000	213	3,0
Open Hole - Logging /	Coring				115	62,000	215	
Engineering / Supervis					116	31,500	218	8,4
Geological / Petrophys	ilcal Services	Mud Logging - 28 days @ \$ 700 / D			117	19,600	-	
Casing Services Supplies					118	5,500	218	5,5
Drilling / Completion O	verhead				120	11,600	220	
Equipment Rentals					123	1B,000	223	12,0
Surface Damages				<del></del>	124			
Slickline / Swabbing Cased Hole - Logging :	/ Perferation		<del></del>		<del> </del>		228	25,00
Stimulation - Materials	-		····	·	1		230	50,00
Colled Tubing - Materia			······································				250	
Chemicals - Other							254	
Gravel Pack - Materials		·		<del> </del>	<del>                                     </del>		255	
Bits - Drilling / Complet Treating	don			<del></del>	156	50,000	256	2,00
Testing / Analysis					┼─┤		258 260	
Communications					151		182	
Labor					162	7,500	262	31,00
A A Expense					197	8,000		
Miscellaneous		Directional - 6 days @ \$ 7,400 / D			199	44,400	299	
		Insurance			1	57,600	╌┼	
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contingencies			Total In	tangibles	199	10,000 1,022,700	299	5,00 202,40
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Conductor Pipe					110		$\Box \Box$	
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ubing		12,000 ft 2 7/8" \$3.25 / ft					227	39,00
ownhole Equipment					<b></b> _		231	20,00
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enks			<del></del>			7,000	233	15,00
ipe, Fittings, Valves, e	tc.						235	5,00
eparators, Treaters, H	eaters, elc.						235	5,00
			Total T	angibles		81,800	<u> </u>	237,00
					y Hole			1,104,50
				Comp	leted W	ell Cost	<u></u>	1,535,900
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•	U.S. Postal Service  CERTIFIED MAIL RECEIPT  (Domestic Mail Only; No Insurance Coverage Provided)					
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	PS Form 3811 March 2001 Domestic Return Receipt	2. Article Number (Transfer from service label) 7001 0320 000		OCT 2 8-28847 of	3.	Tulsa, OK 74192	P.O. Box 2300	Bank of Oklahoma, N.A.	Article Addressed to:		Attach this card to the back of the mailpiece, or on the front if space permits.		·	Complete items 1, 2, and 3. Also complete A.	SENDER: COMPLETE THIS SECTION	
10 OIC + CHS min		DODY 3740 DOD? FORWAY TO	4. Restricted Delivery? (Extra Fee)	XXXCertified Mail	3. Service Type					D. Is delivery address different from item 1? Thes	X Trush Dear In M D Addressee	C. Signature	12-292	A. Received by (Please Print Clearly) B. Date of Delivery	COMPLETE THIS SECTION ON DELIVERY	

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.

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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:

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- 2. A 1/5 royalty
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Sincergly,

Steven W. Horn

SWH/ae

	PRESTON	EXPLORA	TION, LLC	<u> </u>			
Lease and Well No.		ZATION FOR EXPEND	ITURE				IAFE no.
E. S. S	Schaap # 1  Recompletion  Inject	 	Northwes	t Know	les		102001
Development Well	☐ Recompletion ☐ Inject ☐ Workover ☐ SWI		Other				☑Original □Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E		Description/Measured Locati				Projected TD
Drill and complete exploratory			3 / NE G 2,3/0 /	44			12,00
Drill and complete exploratory	wen to Strawn formation.						<del></del>
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	Description				Drilling	T	Completion
Abstracts / Legal Fees Surveys / Permits / Environmental	<del> </del>			101	500 500	201	
Right - of - Way				103	500	+	<del> </del>
Location / Restoration				104	24,000	204	2,50
Mob & Dernob				105	45,000	205	
Transportation / Hauling / Barges				105	10,000	206	15,00
Orilling / Completion Rig - Turnkey Orilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$	1 800 / D		107	525,000	207	18,00
Cementing - Materials / Services	12 00/0 @ 0 12/000 10 10 10 10/0 @ 0	1,000 / 5		111	37,000	211	25,00
Drilling Mud / Completion Fluids				112	40,000	212	
Water				113	15,000	213	3,00
Fuel Open Hole - Logging / Coring				114	62,000	214	<del> </del>
Engineering / Supervision			•	116	31,500	216	8,40
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D			117	19,600		
Casing Services			<del></del>	118	5,500	218	5,50
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Stickline / Swapbing						228	
Cased Hole - Logging / Perforating Stimulation - Materials / Services		·			·····	229	25,00 50.00
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Chemicals - Other		<del></del>	<del></del>	11	·····	254	
Gravel Pack - Materials / Services						255	
Bits - Drilling / Completion				156	50,000	256	2,00
Treating Testing / Analysis		<del></del>				258	
Communications		· · · · · · · · · · · · · · · · · · ·		151		162	
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Contingencies				199	10,000	299	5,00
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0076	Restricted Delivery Fee (Endorsement Required)		10/15/2001
	Total Postage & Fees	\$ 3.94	
) H	Recipient's Name (Pleas	e Print Clearly) (to be compl	leted by mailer)
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709	2902 Stra	tford Drive	·····
, -	Austin T	223 7874 <i>6</i>	See Reverse for Instructions

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	SENDER: COME	PLETE THIS SEC	TION	COMPLETE THIS SECTION ON I	DELIVERY
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	Ronald J.		io		
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October 22, 2001

## CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Ronald J. Beyers 2902 Stratford Drive Austin, Texas 78746

Re:

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T-17-S, R-38-E, N.M.P.M.

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Sincerel

SWH/ae

		PRE		LORATION, I	_LC			}
Lease and Well No.	<u> </u>	·	AUTHORIZATION F					AFE No.
E. S. Exploratory Well	Schaap #1	pletion	☐ Injection	Other	hwest Know	es		10200 国Original
Development Well County/Pansh, State	Survey/Towns/		□ SWD	Unit Description/Measur	ed I ocation			Supplemer
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		Description		E. COS 中の学生を表現を	Carl Copylores and Carl			
Abstracts / Legal Fees		Description	1		101	Drilling 500	201	Completion
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Oniling / Completion Rig - Turnkey					107		207	
Orilling / Completion Rig - Day Rate	42 Days @ \$	12,500 / D	& 10 days @ \$ 1,800 / D		108	525,000	208	18,0
Cementing - Materials / Services Orilling Mud / Completion Fluids			<del></del>	<del></del>	112	37,000 40,000	211	25,0
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uel					114		214	
Open Hole - Logging / Coring					115	62,000	215	
Engineering / Supervision Seological / Petrophysical Services	Mud Logging	28 days 6	n \$ 700 / D	· · · · · · · · · · · · · · · · · · ·	118	31,500 19,600	218	B,4
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Supplies					119		219	
Orilling / Completion Overhead					120	11,600	220	10.0
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Slickline / Swabbing	<del></del>						228	
cased Hole - Logging / Perforating							229	25,00
timulation - Materials / Services							230	50,00
Colled Tubing - Materials / Services Chamicals - Other						<del></del>	250	
Gravel Pack - Materials / Services	<del></del>			<del></del>		<del></del>	255	<del></del>
its - Drilling / Completion					156	50,000	256	2,00
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esting / Analysis							260	
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& A Expense	<del></del>				197	8,000	1	
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oduction Liner	12,000 ft	7"	\$9.50/ft				226	114,00
-Back							228	
ibing ownhole Equipment	12,000 ft	2 7/8"	\$3.25 / ft				227	39,00
tifidal Lift Equipment					<del></del>		231	20,00 35,00
ee & Other Production Equipment					133	4,000	233	4,00
nks							234	15,00
pe, Fittings, Valves, etc. parators, Treaters, Heaters, etc.							235	5,00 5,00
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	33%	· · · · ·	APPRO	/ALS				Hisanii Walio ale

TIS 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.

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;	U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)									
0021	7 2 87 87 1 2 6 7 8									
<b>-</b>	Postage	\$ .34								
m	Certified Fee	2.10	Postmark							
7	Return Receipt Fee (Endorsement Required)	1.50	Here							
h 0 0 0	Restricted Delivery Fee (Endorsement Required)		10/22/01							
20	Total Postage & Fees	\$ 3.94								
E O	Sent To Ronald J. Beyers									
7007	2902 NStrat	ford Drive								
70	AUSE ING TO	exas78746								
1	PS Form 3800, January 20	001	See Reverse for Instructions							

2. Article Number 7001 0320 (Transfer from service label)	( 8 8 ) IN	1301 1301 1001 1001 848U	■ 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 1, 1, 1, 1, 2, 1, 4, 5, 5, 1, 1, 2, 1, 4, 5, 5, 1, 1, 2, 1, 4, 5, 5, 1, 1, 2, 1, 4, 5, 5, 1, 1, 2, 1, 4, 5, 5, 1, 1, 2, 1, 2, 1, 4, 5, 5, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 1, 2, 2, 1, 2, 2, 1, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2,	SENDER: COMPLETE THIS SECTION
T200 042E 4000 02E0 T002	4. Restricted Delivery? (Extra Fee) ☐ Yes	Service Type	Received by (Plass Phit Clearly) B. Date of Deliver.  C. Signature  C. Signature  D. Is delivery address different from item 19. 1 Yes if YES, enter delivery address below: R. No	COMPLETE THIS SECTION ON DELIVERY

2. Article Number
(Transfer from service label)
PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-14;

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

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

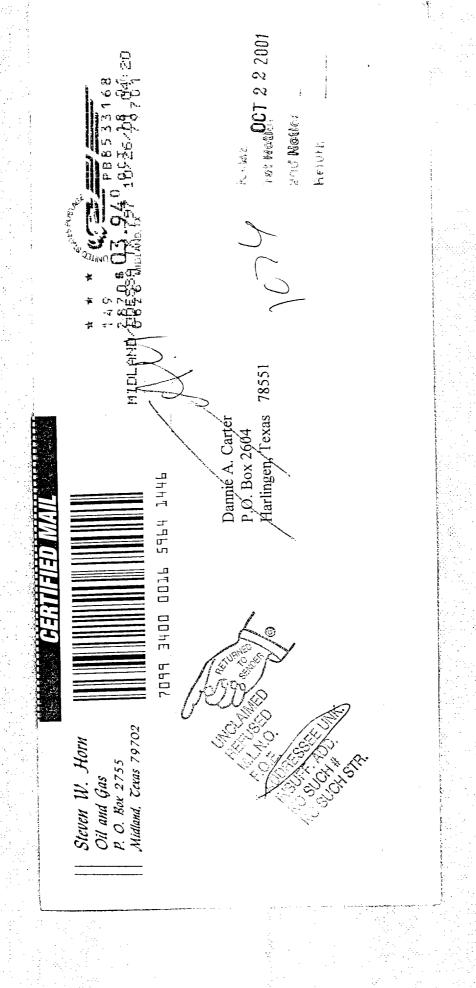
SWH/ae

	PRES		ORATION, LLO	<b>)</b>			
Laase and Well No.	. Schaap # 1	AUTHORIZATION FO	OR EXPENDITURE  Rect Northwes	t Knowl	es		AFE No. 102001
Exploratory Well  Development Well	Recompletion Workover	☐ Injection☐ SWD	☐ Other				⊞Original □Supplement
County/Pansh, State Les County, NM	Survey/Township Sec 4 - T17S - R3		Unit Description/Measured Locat 909' FNL & 2,310'		<del></del>		Projected TO 12,000
Drill and complete explorato	<del></del>	<del></del>					12,000
r programme de la companya de la co La companya de la co		INTANGIBL	ECOSTS	1361.35°		5.54	Co. C. Co.
Abstracts / Legal Fees	Description			101	Drilling 500	722	Completion
Surveys / Permits / Environmental			· · · · · · · · · · · · · · · · · · ·	102	500	201	
Right - of - Way				103			
Location / Restoration		<del> </del>		104	24,000	204	2,500
Mob & Demob Transportation / Hauling / Barges				105 10 <b>6</b>	45,000 10,000	205	15.000
Drilling / Completion Rig - Turnkey	· · · · · · · · · · · · · · · · · · ·			107	10,000	207	15,000
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	
Vater Fuel				113	15,000	213	3,000
Open Hale - 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 Supplies				118	5,500	218	5,500
Drilling / Completion Overhead		· · · · · · · · · · · · · · · · · · ·		120	11,600	220	
Equipment Rentals				123	18,000	223	12,000
Surface Damages Slickline / Swabbing				124			
Cased Hole - Logging / Perforating				+		228	25,000
Stimulation - Materials / Services				1		230	50,000
Colled Tubing - Materials / Services						250	
Chemicals - Other						254	
Gravel Pack - Materials / Services Bits - Drilling / Completion				156	50,000	255 256	2,000
reating				1.50	00,000	258	2,000
esting / Analysis						260	
Communications				161		162	24 700
.abor 2 & A Expense				162	7,500 8,000	262	31,000
discellaneous	Directional - 6 days @ \$ 7	,400 / D		199	44,400	299	
	insurance				57,600		
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ontingencies	<del></del>			199	10,000	299	5,000
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rilling Liner				122			
roduction Liner	12,000 ft 7"	\$9.50 / ft				225	114,000
e-Back	12.000 6 2.7/0*	\$2.25 / #				226	39,000
ubing ownhole Equipment	12,000 ft 2 7/8"	\$3.25 / ft		<del>  -</del>		227	20,000
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ee & Other Production Equipment				133	4,000	233	4,000
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eparators, Treaters, Heaters, etc.				+-+	····	236	5,000
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		APPROV	/ALS.				The state of the s
any	Signature	APPROV	/ALS			Date	<u> 18 gan</u>

U.S. Postal Service **CERTIFIED MAIL RECEIPT** (Domestic Mail Only, No Insurance Coverage Provided) 7445 5964 .34 Postage \$ Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) Here 9700 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 00hE 3.94 Total Postage & Fees \$ Recipient's Name (Please Print Clearly) (to be completed by mailer) Dannie A Carter Street, Apt. No.: or PO Box No. 7099 P.O. Box 2604 Gry State Zip-4 Harlingen, Texas 78551

PS Form 3800, February 2000 See Reverse for Instructions

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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.

Since

Steven W. Horn

SWH/ae

Separators, Treaters					Completed W			1,535,90
eparators, Treaters					Dry Hole	Cost	1	1,104,50
eparators, Treaters.				Total Tangible		81,800		237,00
pe, Fittings, Valves							235	5,00 5,00
inks .							234	15,00
tificial Lift Equipme ਅਫ & Other Produc					133	4,000	232	35,00 4,00
ownhole Equipmen							231	20,00
e-Back ibing		12,000 ft 2 7/1	\$3.25 / ft				226	39,0
oduction Liner		12,000 ft 7°	\$9.50 / ft				226	114,0
termediate Uner Wing Uner		4,600 ft. 9 5/	3" \$15.00 / ft		122	000,88	+	
rface Casing		400 ft 13 3			121	8,800		
onductor Pipe					110			
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ontingendes					199	10,000	299	5,0
		Insurance				57,600	<del>  </del>	<del></del>
iscellaneous		Directional - 6 days	@ \$ 7,400 / D		199	44,400	299	
abor &∧Expense					162 197	7,500 8,000	262	31,0
ommunications		· ———————			161		162	
reausy esting / Analysis							258	<del></del>
its - Orilling / Comp reating	pletion				156	50,000	256	2,0
ravel Pack - Mater							255	
olled Tubing - Mat hemicals - Other	GHBIS / OBTYICES			·			250	
timulation - Materi							230	50,
ased Hole - Loggi	ng / Perforating						229	25,
jurface Damages Sickline / Swabbing	3 :				124	<del>-</del>	228	
quipment Rentals					123	18,000	223	12,
Supplies Orilling / Completion	n Overhead				119.	11,600	219	
asing Services					118	5,500	218	5,
Geological / Petrop		Mud Logging - 28	days @ \$ 700 / D		110	19,600	216	8,
)pen Hole - Loggir Engineering / Supe	_		<del></del>	<del></del>	115 116	62,000 31,500	215	8.
Fuel					114		214	
Dilling Mud / Com Nater	NORAL LINIOS		<del></del>		112	40,000 15,000	212	3
Cementing - Mater	ials / Services				111	37,000	211	25
Orlling / Completic	on Rig - Day Rate	42 Days @ \$ 12,5	00 / D & 10 days @ \$ 1,800 / D		107	525,000	207	18
Transportation / Ha Drilling / Completic					108	10,000	206	15
Mob & Demob					105	45,000	205	
Right - of - Way Location / Restoral	tion		<del></del>		103	24,000	204	2
Surveys / Permits .	/Environmental				102	500	1	
Abstracts / Legal F	003				101	500	201	Completio
			InTANGIB	EE.COSTSEASS		Drilling	ALC: PARTY	
Drill and con	nplete explorato	ory well to Strawn	formation.					
Lea County,	MM	Sec 4 - T17	S - R38E	909' FNL & 2				Projected TD
Development County/Parish, State	t Well	☐ Workover	☐ SWD	Unit Description/Measu				Supplem
Exploratory V		☐ Recompletion	on 🔲 Injection	Other				EOriginal
	E S	S. Schaap #1	Pro	Nor	thwest Knov	vies		102
Lease and Well No.			AUTHORIZATION I	FOR EXPENDITURE				<del></del>
Cease and Well No.								
Lease and Well No.	<u> </u>	5 5	RESTON EXP	LUKA HUN,				1.

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.

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m	U.S. Postal S CERTIFIED (Domestic Mail O	) MA	L REC	EIPT Coverage Provided)
994	100 PM 10			
E.	Postage	\$	.34	
J.	Certified Fee		2.10	Postmark
±	Return Receipt Fee (Endorsement Required)		1.50	Here
4000	Restricted Delivery Fee (Endorsement Required)			10/22/01
D D	Total Postage & Fees	\$	3.94	
E 0	Sent To Dannie A.	Cart	er	
7007	Street, Apt. No.; PROGANBOX 2	604		
7	Hartingen,		as 78	551
ì	PS Form 3800, January 20	J01 // 🛬		See Reverse for Instructions

Steven W. Horn
Oil and Gas
P. O. Box 2755
Midland, Texas 79702 E166 6526 HOOO 0250 TOOL Dannie A. Carer P.O. Box 2604 F RELL NOW 9 4 2001 MAME 3 0 2001

アングレッド

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

			PRE	STON EX	PLOR	ATION, LLC	<b>)</b>			
Lasse and Well No.				AUTHORIZATIO	N FOR EXPE	NDITURE				
	E. S.	Schaap #1			Prospect	Northwes	t Knov	vies		102001
Exploratory W  Development		☐ Recor	npietion iver	☐ Injection☐ SWD	[	Other				⊡Original □Supplement
County/Pansh, State Lea County,	NIN/I	Survey/Town	ship T17S - R3	105		Unit Description/Measured Locati 909' FNL & 2,310' F				Projected TD
Description of Work				· <del>····································</del>		505 FIVE & 2,510 F	AAL	<del></del>		12,000
Drill and com	plete explorator	y well to Str	awn form	ation.	2					
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			Description					Drilling	1	Completion
Abstracts / Legal Fe	es						101	500	201	Completion
Surveys / Permits /	Environmental					· · · · · · · · · · · · · · · · · · ·	102	500		
Right - of - Way Location / Restorati	oπ						103	24,000	204	2,500
Mob & Demob						····	105	45,000	205	2,500
Transportation / Ha	-						106	10,000	206	15,000
Drilling / Completion Drilling / Completion		42 Days @	\$ 12 500 / D	& 10 days @ \$ 1,800	/D		107	525,000	207	18,000
Cementing - Materia			<u>V 1213227 22</u>				111	37,000	211	25,000
Drilling Mud / Comp	letion Fluids						112	40,000	212	
Water Fuel				<del></del>	··-		113	15,000	213	3,000
Open Hole - Loggin	g / Coring				<del></del>		115	62,000	215	
Engineering / Super							116	31,500	216	8,400
Geological / Petroph Casing Services	iysical Services	Mud Loggir	ід - 28 свуз С	§ \$ 700 / D			117	19,600		5.500
Supplies							118	5,500	218	5,500
Drilling / Completion	Overhead						120	11,600	220	
Equipment Rentals							123	18,000	223	12,000
Surface Damages Slickline / Swabbing	:			<del></del>			124		228	
Cased Hole - Loggin									229	25,000
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Gravel Pack - Mater	als / Services								255	
Bits - Drilling / Comp	letion						156	50,000	256	2,000
Treating Testing / Analysis		<del></del>					+		258 260	
Communications							161		162	
Labor P & A Expense							162	7,500 8,000	262	31,000
Miscellaneous		Directional -	6 days @ \$ 7	',400 / D	·····	<del></del>	199	44,400	299	<del></del>
		Insurance						57,600		
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Contingencies							199	10,000	299	5,000
						Total intangibles	<u> </u>	1,022,700	<u> </u>	202,400
		g sa thi		TANGIE	BLE COSTS				ÇİKU I	。
Conductor Pipe							110			
Surface Casing		400 ft	13 3/8"	\$22,00 / ft			121	8,800		
Intermediate Liner Drilling Liner		4,600 ft.	9 5/8*	\$15.00 / fl			122	69,000	┼┤	·
Production Liner		12,000 ft	7*	\$9,50 / ft					226	114,000
Tie-Back									226	
Tubing  Downhole Equipmen	ł	12,000 ft	2 7/8"	\$3.25 / ft			<del>  </del>	<del></del>	227	39,000 20,000
Artificial Lift Equipme	nt								232	35,000
Tree & Other Product Tanks	tion Equipment						133	4,000	233	4,000
Pipe, Fittings, Valves	, etc.	<del></del>				<del></del>	<del>  -  </del>		234	15,000 5,000
Separators, Treaters,									235	5,000
						Total Tangibles		81,800		237,000
							ry Hole			1,104,500
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omn on V		<del> </del>				<u> </u>			5	
ompany			Signature	7		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) 1286 5964 .34 Postage Certified Fee 2.10 Postmark 0076 Return Receipt Fee (Endorsement Required) Here 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 3400 3.94 Total Postage & Fees \$ Recipient's Name (Please Print Clearly) (to be completed by mailer) Darcy, Coale. 7099 42400 Soda Creek Lane Steamboat Stam Stort Jahruan

	SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
	<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Received by (Please Print Clearly)  B. Date of Deliver  C. Signature  X Agent  D Addresse
and the constraint of the second of the constraint of the second of the	Article Addressed to:	D. Is delivery address different from item 1? The selection of the selecti
	Darcy Coale 42400 Soda Creek Lane Steamboat Springs, CO 80487	42400 Joda Ca Join
		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 Ret	urn 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.

Singerely

Steven W. Horn

SWH/ae

	PRESTON EXPL		LLC	····	_	
Labes and Well No.	AUTHORIZATION FO	ect				AFE No.
E. Exploratory Well  Development Well	S. Schaap # 1	No Other	rthwest Knowl	es		10200 ⊞Original  □Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T175 - R38E	Unit Description/Mea 909' FNL &	sured Location 2.310' FWL		_==	Projected TO 12,00
Description of Work	ory well to Strawn formation.					12,00
	INTANGIBL	E.COSTS	<b>洲型型加州</b>		孤洲	10.1000
Newsyl (Land Cook	Description			Drilling		Completion
Abstracts / Legal Fees Surveys / Permits / Environmental			101	500 500	201	ļ
Right - of - Way			103	300		
Location / Restoration			104	24,000	204	2,5
Mob & Damob			105	45,000	205	
Transportation / Hauting / Barges			108	10,000	208	15,00
Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D		107	525,000	207	18,00
Cementing - Materials / Services	12.55/5 (4 12.55/5 (2 1	·	111	37,000	211	25,00
Drilling Mud / Completion Fluids			112	40,000	212	
Water			113	15,000	213	3,00
Fuel Open Hole - Logging / Coring			114	62,000	214	
Engineering / Supervision			118	31,500	215	B.40
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D		117	19,600	1	
Casing Services			118	5,500	218	5,50
Supplies			119		219	
Drilling / Completion Overhead Equipment Rentals			120	11,600 18,000	220	12,00
Surface Damages			124	18,000	223	12,00
Slickline / Swabbling					228	
Cased Hole - Logging / Perforating					229	25,00
Stimulation - Materials / Services					230	50,00
Colled Tubing - Materials / Services Chemicals - Other			<del></del>		250	
Gravel Pack - Materials / Services					255	
Bits - Drilling / Completion			155	50,000	256	2,00
Treating					258	
Testing / Analysis					260	
Communications Labor		<del></del>	161	7,500	162 262	31,00
P & A Expense		<del></del>	197	8,000	202	31,00
Miscellaneous	Directional - 6 days @ \$ 7,400 / D	<del></del>	199	44,400	299	
	Insurance			57,600		
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: Contingencies			199	10,000	299	5,00
1		Total Intang	ibles	1,022,700		202,400
	TANGIBLE CONTANGIBLE	COSTS		<b>结型(型)</b> 3560		
Conductor Pipe			110			
Burface Casing	400 ft 13 3/8" \$22.00 / ft		121	8,800		
ntermediate Liner Orizing Liner	4,600 ft. 9 5/8" \$15.00 / ft		122	69,000	<del>  </del>	
roduction Liner	12,000 ft 7" \$9.50 / ft		122		226	114,000
Te-Back	95.0071				225	1 14,000
ubing	12,000 ft 2 7/8" \$3.25 / ft				227	39,000
ownhole Equipment					231	20,000
rtificial Lift Equipment ree & Other Production Equipment			133	4,000	232	35,000 4,000
anks		<del></del>	133	4,000	233	15,000
ipe, Fittings, Valves, etc.					235	5,000
eparators, Treaters, Heaters, etc.					236	5,000
		Total Tangi	bles	81,800	L	237,000
			Dry Hole C			1,104,500
			Completed We	I Cost	1	1,535,900
	APPROV	ALS				The state of the state of
any	Signature	Title			Date	
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		MAIL REC	EIPT Coverage <i>Provided</i> )	
999	100 March 100 Ma		the state of the s	
3739	Postage Certified Fee	s .34 2.10	Postmark	
4000	Return Receipt Fee (Endorsement Required) Restricted Delivery Fee (Endorsement Required)	1.50	10/22/01	
0350	Total Postage & Fees Sent To	\$ 3.94		
7007	1	le a Creek La Springs, (		
	PS Form 3800, January 20	101	See Reverse for Instruc	ctions

PS Form 3811, March 2001 Domestic Return Receipt	7001 0320 0			Darcy Coale 42400 Soda Creek Lanes Steamboat Springs, CO 8048	<del>5</del>	SENDERR 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.
turn Receipt 102595-01-M-1424	1966 HESE HOOD	4. Restricted Delivery? (Extra Fee)	Service Type		If YES, enter delivery address below:	A. Received by (Please Print Clearly)  B. Date/of Delivery  C. Signature  C. Signature  Addressee  Addressee

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

en w. Hon

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.

Sincercty

Steven W. Horn

SWH/ae

	PREST	ON EXPLO	RATION	, LLC				
Lazze and Well No.	A	UTHORIZATION FOR E	KPENDITURE :					TAPE no.
	. Schaap # 1		No	orthwest K	now	es		10200
Exploratory Well  Development Well	Recompletion	☐ Injection ☐ SWD	Other					⊠Originai □
County/Pansh, State	Workover Survey/Township	[] 20VD	Unit Description/Me	asured Location	<del></del>			Supplemen
Lea County, NM	Sec 4 - T17S - R38E		909' FNL &	2,310' FW	'L			12,00
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Surveys / Permits / Environmental			,		102	500		
Right - of - Way Location / Restoration			<del></del>		103	24,000	204	2.5
Mob & Demob					105	45,000	205	2,0
Transportation / Hauling / Barges					106	10,000	206	15,0
Drilling / Completion Rig - Turnkey					107		207	
Orilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10	days @ \$ 1,800 / D			108	525,000	208	18,0
Cementing - Materials / Services Orilling Mud / Completion Fluids		<del></del>			111	37,000 40,000	211	25,0
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Open Hole - Logging / Coring					115	62,000	215	
Engineering / Supervision	Model of the control of the	00 : D			116	31,500	216	8,4
Geological / Petrophysical Services Casing Services	Mud Logging - 28 days @ \$ 7	00 / U			117	19,600 5,500	218	5.5
Supplies				<del></del>	119	0,000	219	3,0
Drilling / Completion Overhead					120	11,600	220	
quipment Rentals	****				123	18,000	223	12,0
Surface Damage# Slickline / Swabbing			<del></del>		124		228	
Cased Hole - Logging / Perforating							229	25,0
Stimulation - Materials / Services							230	50,0
Colled Tubing - Materials / Services							250	
Chemicals - Other						<del></del>	254	
Gravel Pack - Materials / Services Ills - Drilling / Completion					156	50,000	255 256	2.0
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Communications					161		162	
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pe, Fittings, Valves, etc.				<del></del>			235	5,00
parators, Treaters, Heaters, etc.			Total Tang	hies		81,800	236	237,00
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# U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)

2921 4965 9100

Postage \$ .34

Certified Fee 2.10

Return Receipt Fee (Endorsement Required) 1.50

Postmark Here

Here

Restricted Delivery Fee (Endorsement Required)

Total Postage & Fees \$

10/15/2001

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

Collins Partners, LTD

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

5000 Burnet Road

City, State, ZIP+4

Austin, Texas 78765

3.94

		<b>,</b>
	SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
	<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the revers so that we can return the card to you.</li> <li>Attach this card to the back of the mailpied or on the front if space permits.</li> <li>Article Addressed to:</li> </ul>	C. Signature
	Collins Partners LTD	AX
	5000 Burnet Road Austin, Texas 78765	
		3. Service Type
		☐ Registered ☐ Return Receipt for Merchandis ☐ Insured Mail ☐ C.O.D.
		4. Restricted Delivery? (Extra Fee) ☐ Yes
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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

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Sincerely

Steven W. Horn

SWH/ae

		FRE	STON EXP	<del></del>		C			
Lasse and Well No.			AUTHORIZATION F						AFE No.
	S. Schaap #1					est Know	les		10200
Exploratory Well  Development Well	☐ Recomp		☐ Injection ☐ SWD	☐ Other					☑Original ☑Supplemen
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Location / Restoration			<del></del>			104	24,000	204	2,50
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Water						113	15,000	212	3.00
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	Insurance						57,600	-	
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COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

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# 5000 Burnet Road Collins Partners, LTD Austin, Texas 78765 Article Addressed to: Article Number 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. SENDER: COMPLETE THIS SECTION Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. (Transfer from service label) 0250 SETO OHSE HOOD D. Is delivery address different from item 1? \(\sum \) Yes If YES, enter delivery address below: \(\sum \) No Service Type A. Received by (Please Print Clearly) B. Date of Delivery COMPLETE THIS SECTION ON DELIVERY 4. Restricted Delivery? (Extra Fee) Certified Mail Registered ☐ Insured Mail □ C.O.D. ☐ Express Mail ☐ Return Receipt for Merchandise All D Addresset ☐ Yes

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-142

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

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Drilling / Completion Drilling / Completion		42 Days @	\$ 12,500 / D	& 10 days @ \$ 1,800	1/0		107	525,000	207	18,000
Cementing - Materia							111	37,000	211	25,000
Orilling Mud / Comp Water	letion Fluids						112	40,000 15,000	212	3 000
Fuel							114	13,000	213	3,000
Open Hole - Logging							115	62,000	215	
Engineering / Super Geological / Petroph		Mudicasi	ng - 28 days (	3 5 700 / D		<del></del>	116	31,500 19,600	216	8,400
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Drilling / Completion Equipment Rentals	Overhead				<del></del>		120	11,600	220	12,000
Surface Damages							124	10,000		12,000
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Testing / Analysis Communications						<del></del>	161		260 162	·
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Drilling Liner Production Liner		12,000 ft	7*	<b>\$9</b> .50 / ft			122		226	114,000
Tle-Back									226	
Tubing  Downhole Equipment		12,000 ft	2 7/8"	\$3,25 / ft					227	39,000 20,000
Artificial Lift Equipmen									232	35,000
Tree & Other Product	ion Equipment						133	4,000	233	4,000
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COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

U.S. Postal Service CERTIFIED MAIL RECEIPT (Damestic Mail Only; No Insurance Coverage Provided)							
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464	Postage	s .34					
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0076	Restricted Delivery Fee (Endorsement Required)		10/15/2001				
00	Total Postage & Fees	\$ 3.94					
m T	Recipient's Name (Please	e Print Clearly) (to be compl	etea by mailer)				
7099	Jack Danie Street, Apt. No.; or PO 86 P.O. Box 1 Civ. State. ZIP-4 Hobbs, NM	258					

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> <li>1. Article Addressed to:  Jack Daniels, SSP  P.O. BOx 1258  Hobbs, NM 88241</li> </ul>	A. Received by (Please Print Clearly)  B. Date of Pelive  C. Signature  X UCKU MWK  D. Is delivery address different from item 1?  Yes  If YES, enter delivery address below:
	3. Service Type
Article Number (Copy from service label)	4. Hestricted Delivery? (Extra Fee)
7099 3400 0016 5964 1392	Standard Company

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

	-RESTON EXP					
Lease and Well No.	Pros	FOR EXPENDITURE				AF & no.
E. S	. Schaap # 1	☐ Other	Northwest Know	vies	<del></del>	102001
☐ Development Well	☐ Workover ☐ SWD					Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E		on/Measured Location L & 2,310' FWL			Projected TD 12,00
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Abstracts / Legal Fees	Description	<del></del>	101	Drilling 500	201	Completion
Surveys / Permits / Environmental			102	500	<u> </u>	
Right - of - Way			103			
Location / Restoration  Mob & Demob		<del></del>	104	24,000 45,000	204	2,50
Transportation / Hauting / Barges			106	10,000	205	15,00
Drilling / Completion Rig - Turnkey			107		207	
Drilling / Completion Rig - Day Raia Cementing - Materials / Services	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	<del></del>	108	525,000	208	18,00
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uel			114		214	
Open Hole - Logging / Coring Engineering / Supervision			115	82,000 31,500	215	8,40
Seological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D		117	19,800	216	8,40
Casing Services			118	5,500	218	5,50
Supplies			119.		219	-
Orilling / Completion Overhead  quipment Rentals		<del></del>	120	11,600	220	12,00
Surface Damages			124	10,000	223	12,00
lickline / Swabbing					228	
Cased Hole - Logging / Perforating Simulation - Materials / Services	<del></del>				229	25,00
Colled Tubing - Materials / Services	**	<del></del>	<del></del>	<del></del>	250	50,00
Chemicals - Other					254	
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its - Drilling / Completion reating			156	50,000	256 258	2,000
esting / Analysis	<del></del>				260	
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thical Lift Equipment					232	35,000
e & Other Production Equipment			133	4,000	233	4,000
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COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

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PS Form 3811, March 2001	Article Number     (Transfer from service label)			Hobbs, NM 88241	P.O. BOx 1258	Jack Daniels, S	1. Article Addressed to:	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.	<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse</li> </ul>	SENDER: COMPLETE THIS SECTION
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PS Form 3811, March 2001

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

	PRESTON EX		N, LLC				
Laass and Well No.	AUTHORIZATION	N FOR EXPENDITURE					AFE no.
E. S	. Schaap # 1		Northwest	Knowl	es		102001
Exploratory Well	☐ Recompletion ☐ Injection	☐ Other					图Original
Development Well County/Pansh, State	☐ Workover ☐ SWD		VMeasured Location			<del></del> _	☐Supplement
Lea County, NM	Sec 4 - T17S - R38E		. & 2,310' FV	٧L			Projected TD 12,000
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Abstracts / Legal Fees				101	500	201	Completion
Surveys / Permits / Environmental				102	500		
Right - of - Way Location / Restoration				103	24.000		ļ
Mob & Demob			<del></del>	104	24,000 45,000	204	2,500
Transportation / Hauling / Barges			<del></del>	105	10,000	205	15,000
Drilling / Completion Rig - Turnkey				107	10,000	207	13,000
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
Orilling Mud / Completion Fluids				112	40,000	212	
Vater				113	15,000	213	3,000
Fuel Open Hole - Logging / Coring				114	62,000	214	
Engineering / Supervision				115	31,500	215	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	· · · · · · · · · · · · · · · · · · ·	<del></del>	117	19,600	210	0,400
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Chemicals - Other						254	
Gravel Pack - Materials / Services						255	
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] L	Return Receipt Fee (Endorsement Required)	1.50	Here
	Restricted Delivery Fee (Endorsement Required)		10/15/2001
00	Total Postage & Fees	\$ 3.94	
m T		Print Clearly) (to be comp	leted by mailer)
υ_	F. Ferrell Street, Apt. No.; or PO Bo		
709	P.O. Box 3	061	
~	1	exas 7970	2
	PS Form 3800, February 2	000	See Reverse for Instructions

v

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> <li>Article Addressed to:</li> <li>F. Ferrell Davis</li> <li>P.O. Box 3061</li> </ul>	A. Received by (Please Print Clearly)  B. Date of Delivery  C. Signature  X  Call Print Clearly  Agent  Addressee  D. Is delivery address different from item 1?  Yes  If YES, enter delivery address below:  No
Midland, Texas 79702	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 1248  PS Form 3811, July 1999 Domestic R	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.

Singerely.

Steven W. Horn

SWH/ae

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Lease and Well No.		AUTHORIZATION FO						<u> </u>
	. Schaap # 1			Northwest	Know	ries		102001
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Right - of - Way				·····	103	300	<del></del>	<del> </del>
Location / Restoration					104	24,000	204	2,500
Mob & Demob					105	45,000	205	
Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey	<del></del>		····	····	106	10,000	208	15,000
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Drilling Mud / Completion Fluids					112	40,000	212	20,000
Water					113	15,000	213	3,000
Fuel					114		214	
Open Hote - Logging / Coring Engineering / Supervision					115	62,000 31,500	215	8,400
Geological / Petrophysical Services	Mud Logging - 28 days (	D \$ 700 / D			117	19,600	210	
Casing Services		3			118	5,500	218	5.500
Supplies					119		219 -	
Orilling / Completion Overhead					120	11,600	220	
Equipment Rentals	<del></del>				123	18,000	223	12,000
Surface Damages Slickline / Swabbling					124		228	<del></del>
Cased Hole - Logging / Perforating						·	229	25,000
Stimulation - Materials / Services							230	50,000
Colled Tubing - Materials / Services							250	
Chemicals - Other		<del></del>					254	
Gravel Pack - Materials / Services Bits - Oriting / Completion					156	50,000	255	2,000
Treating			·			30,000	258	2,000
Testing / Analysis							260	
Communications					161		162	
Labor					162	7,500	262	31,000
P & A Expense Miscellaneous	Directional - 8 days @ \$	7.400 / D	<del> </del>		197	8,000 44,400	299	
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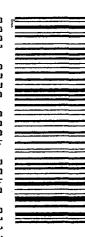
IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL.

COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

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E E	PS Form 3800, January 20	001		See Reverse for Instructions	

CERTIFIED MAIL

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



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F. Ferrell Davis P.O. Box 3061

Midland, Texas 79702

not on Box 3061

1030

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

Frem W. Hon

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.

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Sincerely.

Steven W. Horn

SWH/ae

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Location / Restoration				104	24,000	204	2
Mob & Demob				105	45,000	205	
Transportation / Hauling / Barges				106	10,000	206	15
Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 / D	<del> </del>		107	525,000	207	10
Cementing - Materials / Services	42 Days @ \$ 12,3007 D & 10 days @ \$ 1,3007 D			111	37,000	211	18,
Drilling Mud / Completion Fluids			•	112	40,000	212	
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Fuel Open Hole - Logging / Coring				114	62,000	214	
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Gravel Pack - Materials / Services						255	
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#### U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) 52 1,1 5964 . 34 Postage Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) 0016 Here 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 00hE 3.94 Total Postage & Fees \$ Reciplent's Name (Please Print Clearly) (to be completed by mailer) Paul Davis No. Jr., SSP 7049 P. O. ZiBox 871 Midland, Texas 79702 PS.Form: 3800: February 2000. See Reverse for Instructions.

	SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
	Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.	A. Received by (Please Print Clearly) B. Date of Delivery
	<ul> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	C. Signature  X  Agent  Addressee
and the second of the second o	Article Addressed to:	D. Is delivery address different from item 1?   If YES, enter delivery address below:   No
	Paul Davis, Jr., SSP P.O. Box 871 Midland, Texas 79702	
	I SPS	☐. Service Type ☐ ☐ Express Mail
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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.

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Lea County, New Mexico

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Sincere

Steven W. Horn

SWH/ae

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Fuel				114		214	
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Engineering / Supervision		707.10		116	31,500	218	8.
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ī	Paul Davis Street, Apt. No.; B-POBox NBOX 8	171	
7001	Midland, T	exas 79702	,
	PS Form 3800, January 21	001	See Reverse for Instruction

# 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. Article Addressed to: SENDER: COMPLETE THIS SECTION SASU p **×** 0 ω 4. Restricted Delivery? (Extra Fee) ☐ Insured Mail □ C.O.D. ☐ Yes

Article Number (Transfer from service label)

PS Form 3811, March 2001

Domestic Return Receipt

Service Type  Certified Mail.   Registered  Return Receipt for Merchandis	Is delivery address different from item 1? If YES, enter delivery address below:	Signature 1212	Received by (Please Print Clearly)
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102595-01-M-14

March 14, 2001

Lyle B. Gallivan & Mary Boxell Gallivan, as Joint Tenants with Right of Survivorship 8270 W. 4<sup>th</sup> 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

Feun w. Hon

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. 4<sup>th</sup> 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

		STON EXPLO		N, LLC		<del></del> -	
Lause and Well No.		AUTHORIZATION FOR E					AFE no
E. S. S 國 Exploratory Well	chaap # 1	L Injection	☐ Other	Northwest Kno	wies		102001 GOriginal
☐ Development Well	☐ Workover ☐ SWD					_ Supplement	
County/Parish, State Lea County, NM	Survey/Townsnip Sec 4 - T17S - R38	8E		Measured Location & 2,310' FWL			Projected TO 12,000
Drill and complete exploratory	well to Strawn forma	tion.					
	and the second of the second o	* INTANGIBLE C	OSTS		(1980), A. Mary (1984)		
g variation and the second sec	Description			En a responsable for the second state.	Drilling	- A SAME THE	Completion
Abstracts / Legal Fees				101		201	
Surveys / Permits / Environmental Right - of - Way				102		<del>- </del> -	
Location / Restoration				104	24,000	204	2,500
Mab & Demob				105		205	
Transportation / Hauting / Barges Orilling / Completion Rig - Turnkey		· · · · · · · · · · · · · · · · · · ·		106	<del></del>	206	15,000
Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D &	10 days @ \$ 1 800 / D		108		207	18,000
Cementing - Materials / Services	+2 5 d / 5 (g 4 / 2,5 d o / 5 d	10 44/0 (6) 0 1 000 / 3		111		211	25,000
Drilling Mud / Completion Fluids				112	40,000	212	
Water				113	15,000	213	3,00
Fuel Open Hale - Logging / Coring		······································		114	62,000	214	<u> </u>
Engineering / Supervision				113		215	8.40
Seological / Petrophysical Services	Mud Logging - 28 days @	\$ 700 / D		117	19,600		9,10
Casing Services				118	5,500	218	5,50
Supplies				119		219	
Drilling / Completion Overhead Equipment Rentals				120	11,600 18,000	220	12,00
Surface Damages				123		1223	12,00
Silckline / Swabbing						228	
Cased Hole - Logging / Perforating						229	25,00
Stimulation - Materials / Services Coiled Tubing - Materials / Services				<del></del>	<del></del>	230	50,00
Chamicals - Other	<del></del>				+	254	
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lits - Drilling / Completion				158	50,000	256	2,000
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esting / Analysis Communications				161	<del></del>	260	
abor			······································	162	7,500	162 262	31,000
2 & A Expense				197	8,000	102	01,00
fiscellaneous	Directional - 6 days @ \$ 7,	400 / D		199	44,400	299	
	Insurance				57,600		
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Contingencies			Total Int	angibles	10,000 1,022,700	299	5,000 202,400
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anductor Pipe				110			
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ntermediate Liner Miling Liner	4,600 ft. 9 5/8"	\$15,00 / ft	<del></del>	122	69,000	-	
roduction Liner	12,000 ft 7"	\$9.50 / ft		122	<del> </del>	226	114,000
is-Back					<u> </u>	226	
nping	12,000 ft 2 7/8"	\$3.25 / ft				227	39,000
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anks		<del></del>	<del></del>	133	7,000	234	15,000
ipe, Fittings, Valves, etc.						235	5,000
eparators, Treaters, Heaters, etc.						236	5,000
			Total Ta	ingibles	81,800		237,000
				Dry Hol	e Cost	$\top$	1,104,500
				Completed			1,535,900
En la		APPROVAL				Ali Sala	
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pany	Signature			Title		Date	

#### U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) 1347 5964 .34 Postage Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) Here 0016 1.50 Restricted Delivery Fee (Endarsement Required) 10/15/2001 3.94 Total Postage & Fees \$ H H Recipient's Name (Please Print Clearly) (to be completed by mailer) Lyle & Mary Gallivan Street, Apt. No.; or PO Box No. 7099 8270 W. 4th Avenue City State, ZIP-4 Lakewood, CO 80226 PS Form 3800, February 2000

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Received by (Please Print Clearly)  B. Date of Deliver  C. Signature  X  Agent  Addresse
1. Article Addressed to:  Lyle & Mary Gallivan  8270 W. 4th Avenue  Lakewood, CO 80226	D. Is delivery address different from item 1?   Yes  If YES, enter delivery address below:   XX No
·	3. Service Type  XXCertified Mail
2. Article Number (Copy from service label) 7099 3400 0016 5964 1347 PS Form 3811, July 1999	4. Restricted Delivery? (Extra Fee) Yes

October 22, 2001

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Lakewood, CO 80226

Re:

E.S. Schaap #1

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Section 4: Lots 3, 4 & S/2 NW/4 (NW/4)

Lea County, New Mexico

Containing 156.40 acres, more or less

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- 2. A 1/5 royalty
- 3. Two (2) year primary term (paid-up)

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Sincerel

Steven W. Horn

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	- RI	ESTON EXPL	ORATION, LL	<u> </u>	:		
Lasse and Well No.	Sohaan # 4	AUTHORIZATION FO	<b>6</b> d	et Knowl	06		AFE NO.
Exploratory Well	S. Schaap # 1 Northwest Knowles  Recompletion Dinjection Other						102001 EOriginal
Development Well County/Parish, State	Workover   Survey/Township	SWD	Unit Description/Measured Loca		·		Supplement
Lea County, NM	Sec 4 - T17S -		909' FNL & 2,310'	FWL			12,000
Drill and complete explorator			E,COSTISS 高級電腦			<b>建筑景景</b>	
Abstracts / Legal Fees	Descript	ion		101	Drilling 500	201	Completion
Surveys / Permits / Environmental				102	500	201	
Right - of - Way Location / Restoration				103	24,000	204	2,500
Mob & Demob				105	45,000	205	2,000
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Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 /	/ D & 10 days @ \$ 1,800 / D		108	525,000	207	18,000
Cementing - Materials / Services Drilling Mud / Completion Fluids				111	37,000 40,000	211	25,000
Water				113	15,000	213	3,000
Fuel Open Hole - Logging / Coring				114	62,000	214	
Engineering / Supervision				115	31,500	215	8,400
Geological / Petrophysical Services	Mud Logging - 28 day	s @ \$ 700 / D		117	19,600		5.500
Casing Services Supplies				118	5,500	218	5,500
Drilling / Completion Overhead				120	11,600	220	12.500
Equipment Rentals Surface Damages				123	18,000	223	12,000
Slickline / Swabbing				1		228	
Cased Hole - Logging / Perforating Stimulation - Materials / Services				<del></del>	· · · · · · · · · · · · · · · · · · ·	229	25,000 50,000
Coded Tubing - Materials / Services						250	
Chemicals - Other Gravel Pack - Materials / Services				1-1		254 255	
Bits - Drilling / Completion				158	50,000	255	2,000
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Testing / Analysis Communications				161		162	
Labor				162	7,500	262	31,000
P & A Expense Miscellaneous	Directional - 6 days @	\$7.400 / D		197	8,000 44,400	299	
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Conductor Pipe Surface Casing	400 ft 13 3/8"	\$22.00 / ft		110	8,800	┼	
Intermediate Liner	4,800 ft. 9 5/8"	\$15.00 / ft		122	69,000		
Oriting Liner Production Liner	12,000 ft 7*	\$9,50 / ft		122		226	114,000
Tie-Back						226	
Tubing Downhole Equipment	12,000 ft 2 7/8"	\$3.25 / ft	······································	+-+		227	39,000 20,000
Artificial Lift Equipment						232	35,000
Free & Other Production Equipment				133	4,000	233	4,000 15,000
Pipe, Fittings, Valves, etc.						235	5,000
Separators, Treaters, Heaters, etc.			Total Tangibles	<del> </del>	81,800	238	5,000 237,000
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	U.S. Postal S CERTIFIED (Domestic Mail C	M	AIL RECE	IPT verage Provided)
0000				THE CALL STATES
0 h L E	Postage Certified Fee	\$	34 2.10	Postmark
4000	Return Receipt Fee (Endorsement Required) Restricted Delivery Fee (Endorsement Required)		1.50	Here 10/22/01
0360	Total Postage & Fees  Sent To	\$	3.94	
7007	Lyle & Mar 8270 NW. 4t Lakewood,	h A	venue	
	PS Form 3800, January 20	01		See Reverse for Instructions

# SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.

C. Sprature

If YES, enter delivery address below:

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☐ Agent☐ Addresse

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Lakewood, CO 80226

Lyle & Mary Gallivan 8270 W. 4th Avenue

# A. Received by (Please Print Clearly) B. Date of Deliver COMPLETE THIS SECTION ON DELIVERY

- 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.

0320 0000 3740 0000 4. Restricted Delivery? /Evene

PS Form 3811, March 2001

Domestic Return Receipt

(Transfer from service label)

1001

Article Number

 Service Type Certified Mail
Registered ☐ Insured Mail ☐ Express Mail
☐ Return Receipt for Merchandis
☐ C.O.D.

☐ Yes

102595-01-M-1-

March 14, 2001

Alan R. Hannifin 518 17<sup>th</sup> 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 17<sup>th</sup> Street, Suite 540 Denver, CO 80202

Re:

E.S. Schaap #1

T-17-S, R-38-E, N.M.P.M.

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Lea County, New Mexico

Containing 156.40 acres, more or less

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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.

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Sincerely,

Steven W. Horn

SWH/ae

		PREST	ON EXPLO	RATION, I	LLC			
Lasse and Well No.		ÜA.	THORIZATION FOR EX	PENDITURE			-	AFE NO.
	E.S.S	chaap #1		Nort	hwest Knowl	es		102001
Exploratory Well Development Well County/Parish, State		☐ Workover ☐	Injection SWD	Other				⊠Original ☐Supplement
Lea County, NM		Survey/Township Sec 4 - T17S - R38E		909' FNL & 2,				Projected TO 12,000
	te exploratory	well to Strawn formation	1.					
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Abstracts / Legal Fees	<del></del>	Description			101	Drilling 500	201	Completion
Surveys / Permits / Envir	onmental				102	500	201	
Right - of - Way					103		-	
Location / Restoration					104	24,000	204	2,500
Mob & Demob				<del> </del>	105	45,000	205	
Transportation / Hauling Drilling / Completion Rig	•				106	10,000	206	15,000
Drilling / Completion Rig	•	42 Days @ \$ 12,500 / D & 10 d	lavs @ \$ 1.800 / D		108	525,000	207	18,000
Cementing - Materials / S	•		7: 9: 11:		111	37,000	211	25,000
Drilling Mud / Completion	l Fluids				112	40,000	212	
Water			<del></del>		113	15,000	213	3,000
Fuel Open Hole - Logging / Co	Nino.		<del></del>	···	114	62,000	214	ļ
Engineering / Supervision					116	31,500	215	8,400
Geological / Petrophysica		Mud Logging - 28 days @ \$ 700	0 / D		117	19,600		
Casing Services					118	5,500	218	5,500
Supplies Drilling / Completion Ove	mand		<del></del>		119.	11 600	219	
Equipment Rentals	meau		<del></del>	<del></del>	123	11,600 18,000	223	12,000
Surface Damages		*****			124		1	12,000
Silckline / Swabbing	*						228	
Cased Hole - Logging / P	-						229	25,000
Stimulation - Materials / S Coiled Tubing - Materials					<del></del>	··-·	230	50,000
Chemicals - Other	, col vices		,,- <del>.,,,</del>				254	
Gravel Pack - Materials /	Services			<u></u> .			255	<del> </del>
Bits - Orilling / Completion	1				156	50,000	256	2,000
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Testing / Analysis							260	
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P & A Expense					197	8,000	102	01,000
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			<del></del>	<del></del>				
Contingencies					199	10,000	299	5,000
				Total intangit	iles	1,022,700		202,400
			TANGIBLE COS	TS				
Conductor Pipe					110			
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Tanks	quipment		<del> </del>	<del></del>	133	4,000	234	15,000
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Separators, Treaters, Hea	ters, etc.						236	5,000
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отралу		Signature		Title			Date	

U.S. Postal Service CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided) 1,554 1915 .34 Postage Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) Here 0016 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 00hE 3.94 Total Postage & Fees | \$ Recipient's Name (Please Print Clearly) (to be completed by mailer) Alan B. Hannifin 518 17th Street, Suite 540 7099 Denver, CO 80202
PS Form 3800; February 2000. See Reverse for Instructions

	identina in the second
SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul> <li>■ Complete items 1, 2 and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> <li>1. Article Addressed to:</li> <li>Alan R. Hannifin</li> </ul>	A. Received by (Please Print Clearly)  B. Date of Delivery  O 72-C  C. Signature  Addressee  D. Is delivery address different from item 1?  Yes  If YES, enter delivery address below:  No
518 17th Street, Ste 540 Denver, CO 80202	
	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 1224	
PS Form 3811, July 1999 Domestic Re	eturn Receipt 102595-00-M-0952

October 22, 2001

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Sincerel

Steven W. Horn

SWH/ae

	FRESTO	N EXPL	ORATIO	N, LL	 ر	!		*
		HORIZATION FOR						<u>-1</u>
E. S	. Schaap #1	Prospect		Northwes	st Know	les		1020
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			соѕтѕ			Drilling		Completion
Abstracts / Legal Fees Surveys / Permits / Environmental			<del></del>		101	500	201	<del> </del>
Right - of - Way					103			
Location / Restoration					104	24,000	204	2
Mob & Demob Transportation / Hauling / Barges					105	45,000 10,000	205	15.
Drilling / Completion Rig - Turnkey	· · · · · · · · · · · · · · · · · · ·			<del></del>	107	10,000	207	13,
Ortiling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 day	rs @ \$ 1,800 / D			108	525,000	208	18,
Cementing - Materials / Services					111	37,000	211	25,
Oriting Mud / Completion Fluids Nater			<del></del>		112	40,000 15,000	212	3
Fuel					114		214	
Open Hole - Logging / Coring					115	62,000	215	
Engineering / Supervision Seological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 /	n			116	31,500 19,800	218	B.
Casing Services	mad coffinia - so days for a 1001				118	5,500	218	5,
Supplies					119.		219	
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Cased Hole - Logging / Perforating dimulation - Materials / Services					<del></del>		229	25, 50.
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PS Form 3811, March 2001	Article Number (Transfer from service label)			■ 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	
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102595-01-M-14	Ť	☐ Yes	Express Mail I Return Receipt for Merchandis I C.O.D.	B. Date of Deliver  (O 1900)  D Agent D Addresse n 17 D Yes w: M No	

March 14, 2001

Shawn P. Hannifin 518 17<sup>th</sup> 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 17<sup>th</sup> 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.

Sincerel

Steven W. Horn

SWH/ae

State   Stat		PRE	STON EXPL	ORATION,	LLC		· · · · · · · · · · · · · · · · · · ·	, s
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	Equipment Rentals				123			12,000
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Conductor Pipe			TANGIBLE C	osts	SELYCYCE WA		la candetica	
Surface Casing   400 ft   13 3/8"   \$22.00 / ft   121   8,800								
Intermediate Liner	•	400 ft 13 3/8"	\$22.00 / ft			8.800	+1	
Production Liner   12,000 ft   7°   \$9.50 / ft   226   114,000     Tile-Back   226   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     Tree & Other Production Equipment   133   4,000   233   4,000     Pipe, Fittings, Valves, etc.   235   5,000     Separators, Treaters, Heaters, etc.   235   5,000     Separators, Treaters, Heaters, etc.   235   5,000     Total Tangibles   81,800   237,000     Dry Hole Cost   1,104,500     Completed Well Cost   1,535,900     APPROVALS.								
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	отралу	Signature		Title	<del></del>		Date	
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COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

1231		MAIL REC	EIPT Coverage Provided)	
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rJ 12_	Certified Fee	2.10	Postmark	
_1	Return Receipt Fee (Endorsement Required)	1.50	Here	
0076	Restricted Delivery Fee (Endorsement Required)		10/15/2001	
00hE	Total Postage & Fees	\$ 3.94		
m	,	e Print Clearly) (to be comp	pleted by mailer)	
7099	Shawn P I Street, Apt. No. or PO B 518 17th S City, State, ZiP+4 Denver, CO	Street, Sui	te 540	
4	PS Form 3800; February		See Reverse for Instructions	

And the Number (Copy from service label)  Complete items 1, 2, and 3. Also complete items 1, and 3. Also complete ite			
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October 22, 2001

# CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Shawn P. Hannifin 518 17<sup>th</sup> 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:

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

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Sincerel

Steven W. Horn

SWH/ae

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E. \$	S. Schaap # 1	<u> </u>			Northwe	st Know	rles		102001
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County/Parish, State	Survey/Tov	vnanip			ption/Measured Loca				Supplement Projected TD
Lea County, NM		- T17S - R		909' F	NL & 2,310'	FWL			12,000
Drill and complete explorate	ory well to St	rawn forn	nation.						
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Abstracts / Legal Fees		Descriptio	<u>n</u>	·		404	Drilling		Completion
Surveys / Permits / Environmental						101	500	201	
Right - of - Way						103			
Location / Restoration Mob & Demob				<del></del>	··	104	24,000 45,000	204	2,500
Transportation / Hauling / Barges			<del></del>			108	10,000	205	15,000
Drilling / Completion Rig - Turnkey						107		207	10,000
Drilling / Completion Rig - Day Rate	42 Days	\$ 12,500 / 0	8. 10 days @ \$ 1,800 / D			108	525,000	208	18,000
Cementing - Materials / Services Drilling Mud / Completion Fluids	<del></del>					111	37,000 40,000	211	25,000
Water						113	15,000	212	3,000
Fuel						114		214	
Open Hole - Logging / Coring Engineering / Supervision						115	62,000	215	9.400
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Casing Services						118	5,500	218	5,500
Supplies Drilling / Completion Overhead						119.	44.000	219	
Equipment Rentals			·	<del></del>		120 123	11,600 18,000	220	12,000
Surface Damages						124			
Silckine / Swabbing			<del></del>					728	
Cased Hole - Logging / Perforating Stimulation - Materials / Services								229	25,000 50,000
Colled Tubing - Materials / Services						1 -		250	30,555
Chemicals - Other								254	
Gravel Pack - Materials / Services						1.50	50.000	255	
Bits - Drilling / Completion Treating	<del>,</del>					158	50,000	258	2,000
Testing / Analysis						1		260	
Communications						161		162	
Labor P & A Expense						162	7,500	262	31,000
Miscellaneous	Directional	- 6 days @ \$	7 400 / D			199	8,000 44,400	299	
	Insurance	-000/5 (4)	7,70070			1	57,600	122	
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Conductor Pipe						110			
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Dritting Liner	4,800 fL	<del>5</del> 3/6	#10.007 H	· — · — — — — — — — — — — — — — — — — —		122	08,000	<del>                                     </del>	<del></del>
Production Liner	12,000 ft	7"	\$9.50 / ft					226	114,000
Ne-Back	72222		20.05.1-			1		226	20.000
Tubing Downhole Equipment	12,000 ft	2 7/8"	\$3.25 / R			<del>   </del>		227	39,000 20,000
Artificial Lift Equipment	_					1_+		232	35,000
Tree & Other Production Equipment						133	4,000	233	4,000
Tanks Pipe, Fittings, Valves, etc.			·	<del></del>				234	15,000 5,000
Separators, Treaters, Heaters, etc.			· · · · · · · · · · · · · · · · · · ·			+		235	5,000
				Total	Tangibles		81,800		237,000
						Ory Hole (	Cost	T	1,104,500
						pleted W			1,535,900
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pany	<del></del>	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.

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	U.S. Postal S CERTIFIED (Domestic Mail O	MAII	REC	EIPT Coverage Provided)
0106				
_ 	Postage	\$	.34	
L/~	Certified Fee		2.10	Postmark
± (	Return Receipt Fee (Endorsement Required)		1.50	Here
4000	Restricted Delivery Fee (Endorsement Required)			10/22/01
	Total Postage & Fees	\$	3.94	
<u> </u>	Sent To		c · .	
7007	Shawn P. I Street, Apr. No. 5-10 85x Ab. 7 th S Denver, Co	Street	t, Sui	te 540
:	PS Form 3800, January 20	101		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.

Article
Addressed
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Shawn P. Hannifin 518 17th Street, St

# A. Received by (Please Print Clearly) B. Date of Delivery (C-1, 4, 1) C. Signature 7 C. Signature COMPLETE THIS SECTION ON DELIVERY

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90TO 012E 1000	stricted Deli	☐ Insured Mail	☐ Registered	XXCertified Mail	<ol><li>Service Type</li></ol>			
9010	4. Restricted Delivery? (Extra Fee)	il □ C.O.D.	☐ Return Re	ail ☐ Express M	:			

PS Form 3811, March 2001

Domestic Return Receipt

/aii

ceipt for Merchandise

102595-01-M-142

☐ Yes

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

October 15, 2001

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

Re:

E.S. Schaap #1

<u>T-17-S, R-38-E, N.M.P.M.</u>

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

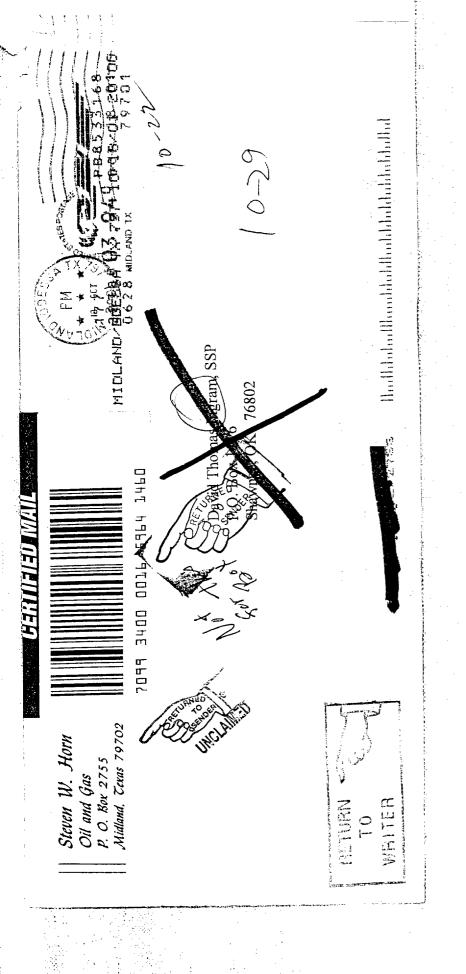
SWH/ae

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Consideration   Consideratio		Schaap # 1				t Know	les		
Secretary NM					☐ Other				
Complete exploratory well to Strawn formation					Unit Description/Measured Locat	ion			
Second   S		Sec 4 - T	17S - R	88E	909' FNL & 2,310'	FWL			
Application   Linguis Fase   Survey		ry well to Strav	wn farm	ation.					
Application   Linguis Fase   Survey									
Application   Linguis Fase   Survey		etal al el rea		INTANGIB	LECOSTS	Avienalia.		Fig. 4	Policy The West Spect
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Intermediate Liner	•	400 ft	13 3/8"	\$22.00 / fl	<del></del>		8,800	┼┤	
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Tubing 12,000 ft 27/8" \$3.25 / ft 227 39,000  Downhole Equipment 231 20,000  Artifical 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  Ory Hole Cost 1,104,500  Completed Well Cost 1,535,900  APPROVALS  APPROVALS  IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL		12,000 ft	1-	39,50 / ft		+	<del></del>	<del></del>	174,000
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133   4,000   233   4,000   233   4,000   233   4,000   233   4,000   234   15,000   235   5,000   235   5,000   236   5,000   236   5,000   237						<del></del>			
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U.S. Postal Service CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided) 1460 公教的编制的主义和<sub>第</sub>列第四次的第三次的主义的主义的 5964 Postage \$ .34 Certified Fee 2.10 Postmark 0016 Return Receipt Fee (Endorsement Required) Here 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 00 h E 3.94 Total Postage & Fees \$ 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 7099 PS Form 3800, February 2000 See Reverse for Instruction



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

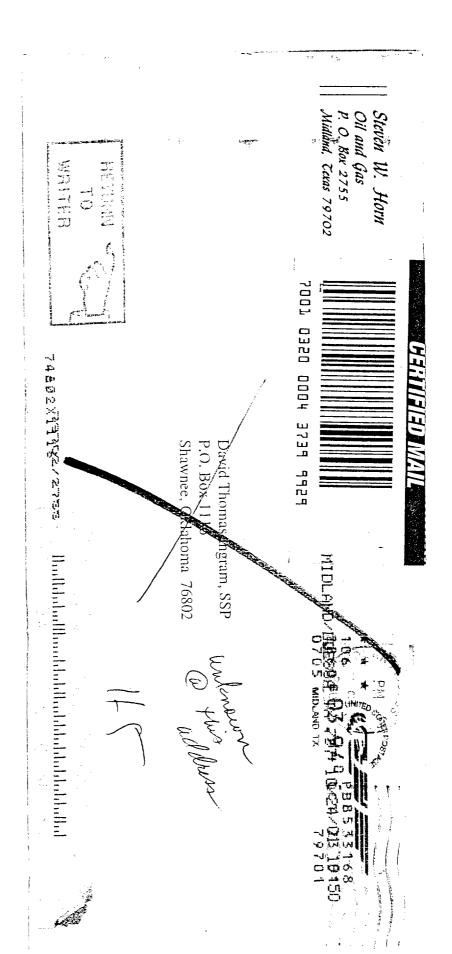
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									201	<del> </del>
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161   152   150	•				<del> </del>		<del> </del>			
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Conductor Pipe	Contingencies						199		299	
Conductor Pipe   Surface Casing   400 ft   13 3/8"   \$22,00 / ft   121   8,800	:					_			<u> </u>	
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   Dritting Liner 122   Production Liner 122   Pr				TANGIBLE	COSTS	品的關係的	學學	原語語的原理的	ALTERIAL PROPERTY.	
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Downhole Equipment   231   20,000		12 000 ft	2 7/B"	\$3.25/R		<del></del>	<del>  </del>		+	39 000
Tree & Other Production Equipment         133         4,000         233         4,000           Tanks         234         15,000         <	Downhole Equipment	.2,000 K							+	
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	Artificial Lift Equipment							4.665		
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	Tanks					<del> </del>	133	4,000	+	
Total Tangibles   81,800   237,000	Pipe, Fittings, Valves, etc.	***************************************							235	5,000
Dry Hole Cost         1,104,500           Completed Well Cost         1,535,900	Separators, Treaters, Heaters, etc.				Total	Tanolhlae	ļ	81 800	236	
Completed Well Cost 1,535,900					ioai				<u> </u>	
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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.

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C T	PS Form 3800, January 20	301		் See Reverse for Instructions

1.5



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,

SWH/ae

Enclosures: 2

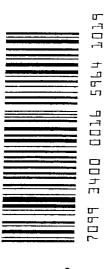
P. O. Box 2755

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Lea County, N	1M		T175 - R38	BE		FNL & 2,310' F				Projected TD 12,000
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Surveys / Permits / E							102	500	1	
Right - of - Way	_						103	24.000		
Location / Restoration Mob & Demob	ou .						104	24,000 45,000	204	2,500
Transportation / Hau	iling / Barges						106	10,000	206	15,000
Drilling / Completion	•						107		207	
Drilling / Completion		42 Days @	\$ 12.500 / D &	10 days @ \$ 1,800 / D			108	525,000	208	18,000
Cementing - Materia Drilling Mud / Compl							111	37,000 40,000	211	25,000
Water	*** : :=: <del>=</del>						113	15,000	213	3,000
Fuel							114	0.5.5.5	214	
Open Hole - Logging Engineering / Supen			<del></del>	<del></del>		<del></del>	115	62,000 31,500	215	8,400
Geological / Petroph		Mud Loggi	ng - 28 days @	\$ 700 / D			117	19,600	270	0,400
Casing Services	•						118	5,500	218	5,500
Supplies	O						119.	14 000	219	<del></del>
Drilling / Completion Equipment Rentals	Overnead						120	11,600 18,000	220	12,000
Surface Damages							124	10,000	1225	12,000
Slickline / Swabbing									228	
Cased Hole - Loggin	-						1		229	25,000
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Gravel Pack - Materia									255	
Bits - Orllling / Compl	letion				·		156	50,000	256	2,000
Treating Testing / Analysis				<del></del>			1		258 260	
Communications							161		162	
Labor							162	7,500	262	31,000
P & A Expense Miscellaneous		Directional	- 6 days @ \$ 7,4	100 / 0	<del></del>		197	8,000 44,400	299	
(Misochia) todas		Insurance	0 0ays @ # /,-	*00 / B			133	57,600	233	
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		de Mess		TANGIBL	ECOSTS		Cityje.		MAR. 1	
Conductor Pipe Surface Casing		400.6	13 3/0*	\$22.00 / ft			110	8,800		
Intermediate Liner		400 ft 4,600 ft.	13 3/8" 9 5/8"	\$22.00 / ft			121	69,000	<del>  </del>	
Drilling Liner		1,000 111					122			
Production Liner		12,000 ft	7*	\$9.50 / ft					226	114,000
Tie-Back Tubing		10.000 ft	2.7/05	\$2.25 /#			<del>                                     </del>		226	39,000
Downhole Equipment	l	12,000 ft	2 7/8"	\$3.25 / ft			<del>  </del>		227	20,000
Artificial Lift Equipmen	nt								232	35,000
Tree & Other Product	ion Equipment						133	4,000	233	4,000
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Separators, Treaters,									236	5,000
					To	otal Tangibles		81,800	L	237,000
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						Com	pleted W	leli Cost	<u></u>	1,535,900
				APPRO	VALS.	12 (41) (4) 12 (42) (4)	arty (a)		TV: 1 . ce skr	
ompany			Signature		-	Tive		<del></del>	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) 107 5964 .34 Postage 2.10 Certified Fee Postmark Return Receipt Fee (Endorsement Required) 1.50 Here 0016 10/15/2001 Restricted Delivery Fee (Endorsement Required) 3.94 Total Postage & Fees \$ Recipient's Name (Please Print Clearly) (to be completed by mailer) Nell B. Kimball Street, Apt. No.: or PO Box No. 7099 2317 Haynes Drive Cry, State ZIP+4 Midland, Texas 79705

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



2317 Haynes Driv Midland, Texas Nell B. Kimball

79705-4514

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

	reston ex	PLORATION, LL	<u></u>			
Lease and Well No.		N FOR EXPENDITURE				AFE No.
	. Schaap # 1	Northwe	st Knov	vies		102001
Exploratory Well Development Well	☐ Recompletion ☐ Injection ☐ Workover ☐ SWD	Other				©Original  ☐Supplement
CountyParish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured Loc 909' FNL & 2,310'	EWI		-	Projected TD
Drill and complete explorato		1909 1 HE & 2,510	1 111			12,000
Drill and complete explorato	ry wen to strawn formation.	· · · · · · · · · · · · · · · · · · ·				
	INTANG	IBLE:COSTSE			AUT MAN	
	Description			Drilling	A CONTRACTOR	Completion
Abstracts / Legal Fees			101	500	201	
Surveys / Permits / Environmental Right - of - Way	<del></del>		102	500	<del></del>	
Location / Restoration			104	24,000	204	2,500
Mob & Demob			105	45,000	205	1
Transportation / Hauting / Barges			108	10,000	206	15,000
Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 /	/D	107	525.000	207	42.00
Cementing - Materials / Services	-2 Days @ \$ 12,5007 D & 10 days @ \$ 1,8007		108	37,000	208	18,000 25,000
Dritting Mud / Completion Fluids			112	40,000	212	25,000
Water			113	15,000	213	3,000
Fuel Open Hole - Logging / Coring			114	00.000	214	
Engineering / Supervision			115	82,000 31,500	215	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D		117	19,600	1	0,400
Casing Services			118	5,500	218	5,500
Supplies Dritting / Completion Overhead			119.	44.000	219	
Equipment Rentals	•		120	11,600	220	12,000
Surface Damages			124	10,000	223	12,000
Slickline / Swabbing					228	
Cased Hole - Logging / Perforating					229	25,000
Stimulation - Materials / Services Colled Tubing - Materials / Services					230	50,000
Chemicals - Other					250 254	
Gravel Pack - Materials / Services			<del>                                     </del>		255	
Bits - Oriting / Completion			156	50,000	256	2,000
Treating					258	
Testing / Analysis Communications	·				260	
Labor	· · · · · · · · · · · · · · · · · · ·		161	7,500	162 262	31,000
P & A Expense			197	8,000	1 202	31,000
Miscellaneous	Directional - 6 days @ \$ 7,400 / D		199	44,400	299	
	Insurance			57,600		
					+	
Contingencies			400	10.000	1	5.000
· ·		Total Intangibles	199	10,000	299	5,000 202,400
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Conductor Pipe			110			
Surface Casing	400 ft 13 3/8" \$22.00 / ft		121	8,800		
ntermediate Liner	4,800 ft. 9 5/8" \$15.00 / ft	4	122	69,000	1	
Oriting Liner Production Liner	12,000 ft 7° \$9.50 / ft		122	<del></del>	1	114,000
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Downhole Equipment					231	20,000
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anks			133	4,000	233	4,000 15,000
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eparators, Treaters, Heaters, etc.					236	5,000
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i	U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
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98		
m	Postage \$ ,34	
E S	Certified Fee 2.10 Postmark	
<b>+</b>	Return Receipt Fee (Endorsement Required) / 50 Here	
4000	Restricted Delivery Fee [Endorsement Required]	
20	Total Postage & Fees \$ 3.94	
E	Septell B. Kimball	
7007	Street, Apt. No.; 23/7 Naynes Drive	
70	Chysial and Texas 79705	
1	RS Form 3800, January 2001 See Reverse for Instructions	

N.

e V

Steven W. Horn
Oil and Gäs
p. O. Kox 2755
Midland, Texas 79702

2886 6525 hood oeeo 1885

1 B. Kimban AZ Haynes Drive (1) Adlaha, Texas 79705 (1)

2317

10-30

ell B. Kimball

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

			PRES	· · · · · · · · · · · · · · · · · · ·		TION, LL	C			
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□ Deve opment		☐ Work		□ swp		Other				Supplement
County/Panin, State Lea Cc unty, I	NM	Survey/Town	nsnip T17S - R3	8E		Description/Measured Local 19' FNL & 2,310'				Projected TD 12,000
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			Fig. 1. 1.	INTANO	GIBLE COSTS	The same with	Zarati	ida wa	5.5.	
			Description					Drilling		Completion
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Surveys / Permits / Right - of - Way	Environmental						102	500		
Location / Restoration	on						104	24,000	204	2,500
Mob & De nob	dia I Dana						105	45,000	205	
Transportation / Hat Drilling / Completion							106	10,000	206	15,000
Drilling / Completion	Rig - Day Rate	42 Days @	\$ 12,500 / D	10 days @ \$ 1,800	0/D	· · · · · · · · · · · · · · · · · · ·	108	525,000	208	18,000
Cementing - Material Drilling Mud / Comp		<del></del>					111	37,000	211	25,000
Water	leadii Fidias					<del></del>	112	40,000 15,000	212	3,000
Fuel							114		214	
Open Hole - Logging Engineering / Super							115	62,000 31,500	215 216	8,400
Geological / Petroph		Mud Loggi	ng - 28 days @	\$ 700 / D			117	19,600	210	8,400
Casing Se vices							718	5,500	218	5,500
Supplies Drilling / Completion	Overhead					· · · · · · · · · · · · · · · · · · ·	119	11,600	219	
Equipment Rentals							123	18,000	223	12,000
Surface Damages Slickline / Swabbing					<del></del>	•	124		-	
Cased Holes - Loggin									228	25,000
Stimulation - Materia									230	50,000
Coiled Tub ng - Mate Chemicals - Other	nals / Services								250 254	
Gravel Pack - Materi	als / Services								255	
Bits - Drillir g / Comp	letion						156	50,000	256	2,000
Treating Testing / Analysis			<del></del>						258	
Communications							161		162	
Labor P & A Expense							162 197	7,500 8,000	262	31,000
Miscellaneous		Directional	- 6 days @ \$ 7	400 / D			199	44,400	299	
		Insurance						57,600		
			<del></del>						+	
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digital district				TANGI	BLE COSTS				4354	
Conductor l'ipe							110		<del>                                     </del>	
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Intermediate Liner Drilling Liner		4,600 ft.	9 5/8*	\$15,00 / ft			122	69,000		
Productioniner		12,000 ft	7*	\$9.50 / ft			122		226	114,000
Tie-Back	4								226	
Tubing  Downhole Equipment	l	12,000 ft	2 7/8"	\$3.25 / ft					227	39,000 20,000
Artificial Lift Equipmen	nt							· · · · · · · · · · · · · · · · · · ·	232	35,000
Tree & Other Product Tanks	ion Equipment						133	4,000	233	4,000 15,000
Pipe, Fittings, Valves,									235	5,000
Separators, Treaters,	Heaters, etc.							21.000	236	5,000
						Total Tangibles		81,800	<u> </u>	237,000
		Dry Hole Cost  Completed Well Cost					1,104,500 1,535,900			
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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.

E5 hT	U.S. Postal S CERTIFIED (Domestic Mail O	) M	AIL REC	EIPT Coverage Provided)
4 12 14	Postage	\$	.34	
r2	Certified Fee		2.10	Postmark
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00hE	Total Postage & Fees	\$	3.94	
7099 34	Recipient's Name (Please Rollin & F Street, Apt. No.: or PO Bo P. O. Box 2 City, State, ZIP-4 Harlingen, PS Form 3800 February 2	\mal 2878 _Te	ie Kopp	

4. Restricted Delivery? (Extra Fee)  2. Article Number (Copy from service label)  7099 3400 0016 5964 1453  PS Form 3811 Lily 1999	3. Service Type  St. Centified Mail	Rollin & Amalie Koppell P.O. Box 2878 Harlingen Texas 78550	Article Addressed to:     D. Is delivery address different from item 1?  If YES, enter delivery address below:	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.	<ul> <li>Complete items 1, 2, and 3. Also complete         item 4 if Restricted Delivery is desired.</li> <li>A. Received by (Please Print Clearly)</li> </ul>
xtra Fee)	☐ Express Mail ☐ Return Receip ☐ C.O.D.		rent from item ddress below:	Polica	
□ Yes	☐ Express Mail ☐ Return Receipt for Merchandise ☐ C.O.D.		: 17 XQ L Yes	☐ Agent ☐ Addressee	B. Date of Delivery

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

www. Her

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.

Sincerel

Steven W. Horn

SWH/ae

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				AUTHORIZATION F	OR EXPENDITURE			<del></del>	<u> </u>		
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Transportation / Has	uling / Barges					103	10,000	205	15,000		
Drilling / Completion						107		207	75,555		
Drilling / Completion Cementing - Material		42 Days	\$ 12,500 / D	& 10 days @ \$ 1,800 / D		108	525,000	208	18,000		
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Water		-				113	15,000	213	3,000		
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Open Hole - Logging Engineering / Super						115	62,000 31,500	215	8,400		
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Casing Services						118	5,500	218	5,500		
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Equipment Rentals	,					123	18,000	223	12,000		
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Slickline / Swabbling Cased Hole - Loggin	s / Pedoratina	<del></del>				<del></del>		228	25,000		
Stimulation - Materia								230	50,000		
Colled Tubing - Mate	utals / Services							250			
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Bits - Drilling / Compl		<del> · · · · · · · · · · · · · · · · · · </del>			······································	158	50,000	256	2,000		
Treating								258			
Testing / Analysis Communications								260			
Labor		`				161	7,500	162 262	31,000		
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Tie-Back Tubing		12,000 ft	2 7/8*	\$3.25 / ft				226	39,000		
Downhole Equipment		12,000 10						231	20,000		
Artificial Lift Equipmen								232	35,000		
Tree & Other Producti Tanks	on equipment					133	4,000	233	4,000 15,000		
Pipe, Fittings, Valves,								235	5,000		
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				FORMATED ON VALUE							
II IS F					APPROVAL OF THIS AUTHO THER MORE OR LESS THAI						

[		MAIL REC	EIPT Coverage Provided)				
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m m	Postage	\$ .34					
32	Certified Fee	2.10	Postmark				
±	Return Receipt Fee (Endorsement Required)	1.50	Here				
h 0 0 0	Restricted Delivery Fee (Endorsement Required)		10/22/01				
	Total Postage & Fees	\$ 3.94					
E 0	Sent To Rollin & A	Amalie Kopp	ell				
0.7	Prodox NoBox 2	2878					
701	Harlingen,	Harlingen, Texas 78550					
	PS:Form 3800, January 20	001	See Reverse for Instructions				

2. Article Number Transfer from service labell 7001 0320	·	P.O. Box 2878 Harlingen, Texas 78550	<ol> <li>Article Addressed to: Rollin &amp; Amalie Koppell</li> </ol>	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.	■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.	SENDER: COMPLETE THIS SECTION
0320 0004 3739 9936	3. Service Type  ☐ Certified Mail ☐ Express Mail ☐ Registered ☐ Recurry Receipt for Merchandii ☐ Insured Mail ☐ COD  4. Restricted Delivery? (Extra Fee) ☐ Yes		If YES, enter delivery address below: YE No	C. Signature Agent	A. Received by (Please Print Clearly) B. Date of Delive	COMPLETE THIS SECTION ON DELIVERY

Domestic Return Receipt

PS Form 3811, March 2001

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

			PRE	STON EXPL			<b>,</b>			
Lagse and Well No.				AUTHORIZATION FO	R EXPENDITUR					IAFE no.
		. Schaap # 1				Northwes	t Know	les		102001
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Abstracts / Legal F							101	500	201	Completion
Surveys / Permits /	Environmental						102	500		
Right - of - Way Location / Restorati	ion						103	24,000	204	2,500
Mob & Demob					<del></del>	<del></del> -	105	45,000	205	2,500
Transportation / Ha	uling / Barges						106	10,000	205	15,000
Drilling / Completion							107		207	
Drilling / Completion Cementing - Materia		42 Days @ \$	12,500 / D	& 10 days @ \$ 1,800 / D			108	525,000	208	18,000
Drilling Mud / Comp							111	37,000 40,000	211	25,000
Water							113	15,000	213	3,000
Fuel							114		214	
Open Hole - Loggin	-						115	62,000	215	
Engineering / Super Geological / Petroph		Mud Logging	28 days 6	n \$ 700 / D			116	31,500 19,600	216	8,400
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Slickline / Swabbing	· ·						124		228	
Cased Hole - Loggir					·		+		229	25,000
Stimulation - Materia	als / Services								230	50,000
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Chemicals - Other Gravel Pack - Mater	inle / Condons						<del></del>	<del></del>	254 255	
Bits - Drilling / Comp		<del></del>			<del></del>		156	50,000	256	2,000
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Testing / Analysis									260	
Communications							161	7.500	162	04.000
Labor P & A Expense							162	7,500 8,000	262	31,000
Miscellaneous		Directional - 6	days @\$	7,400 / D			199	44,400	299	
		Insurance						57,600		
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Conductor Pipe							110			
Surface Casing		400 ft	13 3/8"	\$22.00 / ft			121	8,800	<del>↓</del> }	
Intermediate Uner Drilling Liner		4,600 ft.	9 5/8"	\$15.00 / ft			122	69,000	<del>  </del>	
Production Liner		12,000 ft	7*	\$9.50 / ft			<del> </del>		226	114,000
Tie-Back									226	
Tubing  Downhole Equipmen		12,000 ft	2 7/8"	\$3.25 / ft			+		227	39,000
Artificial Lift Equipmen							<del>  </del>		231	20,000 35,000
Tree & Other Produc			·				133	4,000	233	4,000
Tanks									234	15,000
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ompany		·	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.

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1378	U.S. Postal s CERTIFIED (Domestic Mail C	) MA	L RECE	IPT verage Provided)		
<u>+</u>	Postage	5	.34	<del></del>		
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D 7 P	Return Receipt Fee (Endorsement Required)		1.50	Here		
	Restricted Delivery Fee (Endorsement Required)			10/15/200		
	Total Postage & Fees	\$	3.94			
T M	Recipient's Name (Pleas			ed by mailer)		
п-	Madd Ranch, Inc. Street, Apt. No.; or PO Box No.					
0-	P.O. Box 536					
2	City, State, ZIP+4	882	<b>4</b> ∩	-		
•	Hobbs, NM PS Form 3800, February 2		4 U	See Reverse for Instru		

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<u> </u>	2. Article Number (Copy from service label)		P.O. Box 536 Hobbs, NM 88240	<ol> <li>Article Addressed to:</li> <li>Madd Ranch, Inc.</li> </ol>	<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece or on the front if space permits.</li> </ul>	SENDER: COMPLETE THIS SECTION
3.7.8 Dornestic Return Receipt 102595-00-M-0952		3. Service Type  App Certified Mail ☐ Express Mail  Registered ☐ Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D.  4. Restricted Delivery? (Extra Fee) ☐ Yes		If YES, enter delivery address below: XX No	A. Received by (Please Print Clearly)  B. Date of Delivery  C. Signature  C. Signature  X Dickie Mach Mach Agent  Addressee  D is delivery address different from item 17 Yes	COMPLETE THIS SECTION ON DELIVERY

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:

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Sincerely,

Steven W. Horn

SWH/ae

	-REST	ON EXPL	ORATIC	N, LL	ب			
Lease and Well No.	, ,	UTHORIZATION FO	OR EXPENDITURI				<del></del>	JAFé no.
E. S	. Schaap #1			Northwe	st Know	les		102001
Exploratory Well  Development Well	<ul><li>☐ Recompletion</li><li>☐ Workover</li></ul>	☐ Injection☐ SWD	Other					☑Original ☐Supplement
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E			L & 2,310				Projected TD 12,000
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ratio de la marcha de la companya d			E.COSTS				200475470	
	Description					Drilling	1000	Completion
Abstracts / Legal Fees Surveys / Permits / Environmental					101	500 500	201	
Right - of - Way		***	·	<del></del>	103	500		
Location / Restoration					104	24,000	204	2,500
Mob & Demob					105	45,000	205	
Transportation / Hauling / Barges					108	10,000	206	15,000
Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10	de			107	525,000	207	
Cementing - Materials / Services	42 Days @ \$ 12,300 7 D & 10	1 days (g/ \$ 1,000 / L/			108	37,000	208	18,000 25,000
Drilling Mud / Completion Fluids					112	40,000	217	25,00
Water					113	15,000	213	3,00
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 @ \$ 7	00 / D			117	19,600		
Casing Services					118	5,500	218	5,500
Supplies Drilling / Completion Overhead		·····	<del></del>		119.	44 600	219	
Equipment Rentals		<del></del>			120	11,600 18,000	220	12,000
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Cased Hole - Logging / Perforating							229	25,000
Stimulation - Materials / Services			· · · · · · · · · · · · · · · · · · ·				230	50,000
Colled Tubing - Materials / Services							250	
Chemicals - Other				<del></del>			254	
Gravel Pack - Materials / Services						50.000	255	
Bits - Oriting / Completion . Treating					158	50,000	258	2,000
Testing / Analysis		<del></del>	<del></del>		+		260	
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roduction Liner	12,000 ft 7"	\$9.50 / ft	· ····				225	114,000
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any	Signature		<del></del>	Пйе		<del></del>	Date	

	U.S. Postal S CERTIFIED (Domestic Mail O	MAIL REC	EIPT Coverage Provided)	
6900			A property spends	
		<del></del>		
U +	Postage	\$ .34		
E L	Certified Fee	2.10	1	
400	Return Receipt Fee (Endorsement Required)	1.50		
	Restricted Delivery Fee (Endorsement Required)		10/22/01	
	Total Postage & Fees	\$ 3.94		
03	Sent To			
	Madd Ranch			
	Prodex No BOX 5			
7007	Hodiesi7+4 NM	88240		
į	PS Form 3800, January 20	001,	See Reverse for Instructions	

# Article Number SENDER: COMPLETE THIS SECTION 1. Article Addressed to: 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. Hobbs, NM 88240 Madd Ranch, Inc. P.O. Box 536 7001 0320 0004 3740 0069 Agent ☐ Address ☐ Address ☐ Address ☐ Address ☐ Address ☐ Yes C. Signature A. Received by (Please Print Clearly) B. Date of Delivi 4. Restricted Delivery? (Extra Fee) Service Type COMPLETE THIS SECTION ON DELIVERY XX Certified Mail Registered Insured Mail If YES, enter delivery address below: ☐ Return Receipt for Merchandi ☐ C.O.D. ☐ Express Mail HOBB SZZ Z ☐ Yes

PS Form 3811, March 2001

Domestic Return Receipt

102595-01-M-

(Transfer from service label,

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

	PRESTON E	XPLORATIO	N, LLC				
	AUTHORIZAT	ION FOR EXPENDITURE					
Lease and Well No. E. S. S	Schaap # 1	Prospect	Northwest	Know	les		102001
Exploratory Well Development Well	☐ Recompletion ☐ Injection ☐ Workover ☐ SWD	☐ Other					☑Original □Supplement
County/Pansh, State	Survey/Township Sec 4 - T17S - R38E		on/Measured Location				Projected TD
Lea County, NM  Description of Work		909 FIN	L & 2,310 F	VVL	····	<del></del>	12,000
Drill and complete exploratory	well to Strawn formation.				· · · · · · · · · · · · · · · · · · ·		
	INTAN	IGIBLE COSTS	The Country of	ar Artig	A CONTRACTOR OF THE PROPERTY O	Makat J	
Abstracts / Legal Fees	Description			101	Drilling 500	204	Completion
Surveys / Permits / Environmental			<del></del>	107	500	201	<del>                                     </del>
Right - of - Way				103			
Location / Restoration				104	24,000	204	2,500
Mob & Demob		<del> </del>		105	45,000	205	15.50
Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey				106	10,000	206	15,000
Orilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,80	00 / D		108	525,000	208	18,000
Cementing - Materials / Services				111	37,000	211	25,000
Drilling Mud / Completion Fluids		1-21 11-21		112	40,000	212	
Water				113	15,000	213	3,000
Fuel Open Hole - Logging / Coring		<u> </u>		114	62,000	214	
Engineering / Supervision		·····		116	31,500	215	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D	- · · · · · · · · · · · · · · · · · · ·	<del></del>	117	19,600	<del></del>	5,,,55
Casing Services				118	5,500	218	5,500
Supplies				119		219	
Orilling / Completion Overhead				120	11,600	220	42.000
Equipment Rentals Surface Damages				123	18,000	223	12,000
Slickline / Swabbing				1-1		228	
Cased Hole - Logging / Perforating						229	25,000
Stimulation - Materials / Services						230	50,000
Coiled Tubing - Materials / Services Chemicals - Other		<del> </del>				250	
Gravel Pack - Materials / Services		<del></del>				255	······································
Bits - Drilling / Completion				156	50,000	256	2,000
Treating						258	
Testing / Analysis						260	
Communications				161	7 500	162	24 000
Labor P & A Expense		· _ · · · · · · · · · · · · · · · · · ·		162 197	7,500 8,000	262	31,000
Miscellaneous	Directional - 6 days @ \$ 7,400 / D			199	44,400	299	
	Insurance				57,600		
							<del></del>
Contingencles	<del></del>			199	10,000	299	5,000
		Total Ir	ntangibles		1,022,700		202,400
	TANG	IBLE-COSTS	Service of a service	201 g.u(s)y		7 (75)	
			· SELECTED THE PERSON		er og gjarre gjeller flatter flatter flatte i Stadt.	6, 8,1, 35, 15	and the state of t
Conductor Pipe Surface Casing	4DD 6 12 3 mt \$22 00 ( A			110	8,800	11	
intermediate Liner	400 ft 13 3/8" \$22,00 / ft 4,600 ft. 9 5/8" \$15,00 / ft			121	69,000	+	<u> </u>
Drilling Liner	1,000 10 0 00 0 00 11			122	50,000	11	
Production Liner	12,000 ft 7" \$9.50 / ft					226	114,000
Tle-Back						226	
Tubing  Downhole Equipment	12,000 ft 2 7/8" \$3.25 / ft				<del></del>	227	39,000 20,000
Artificial Lift Equipment			w		·	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.		Total	[anglbies		81,800	236	5,000 237,000
		i Otali i				<u> </u>	
				y Hole		<u> </u>	1,104,500
			Comp	iereg M	/ell Cost	<u></u>	1,535,900
TO THE ENGINEER OF THE STATE OF	API	PROVALS	11.43.11				
ompany	Signature		Title			Date	
· · · · · · · · · · · · · · · · · · ·	organic contract cont		(100			20.0	

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 Mall Only; No Insurance Coverage Provided) 1279 1915 .34 Postage Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) 9100 1.50 Restricted Delivery Fee (Endorsement Required) 10/15/2001 3400 3.94 Total Postage & Fees \$ Recipient's Name (Please Print Clearly) (to be completed by mailer)

7099

Clark Phipps
Street, Apt. No.; or PO Box No.
525 S. Main, Suite 1500
City, State, ZIP+4 Tulsa Oklahoma PS Form 8800, February 2000

PS Form 3811, July 1999 Do	2. Article Number (Copy from service label) 7099 3400 0016 5964 1279	A STATE OF THE STA			Tulsa, OK 74103	525 S. Main, Suite 1500	Clark Phipps	1. Article Addressed to:	Attach this card to the back of the mailpiece or on the front if space permits.	<ul><li>rint your name and address on the reve so that we can return the card to you.</li></ul>	<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> </ul>	SENDER: COMPLETE THIS SECTION	
Domestic Return Receipt	Ì	1	\s_i 			00	~ <b>.</b>	***	iece,	erse	ete		
urn Receipt	The state of the s	4. Restricted Delivery? (Extra Fee)	☐ Registered ☐ Insured Mail ☐	<u>a.</u>				If YES, enter delivery address below:	X Matter	C. Signature	A. Received by (Please Print Clearly)	COMPLETE THIS SECTION ON DELIVERY	
102595-00-M-0952		Extra Fee)	C.O.D.	☐ Express Mail				address below: R No	_		Print Clearly) B. Date of Deliver $0 - 22$	ION ON DELIVERY	

The state of the s

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.

Sincerety

Steven W. Horn

SWH/ae

	rRES	TON EXPL	ORATION, LL	<del></del> د			].:
Lages and Well No.		AUTHORIZATION FO	R EXPENDITURE				
	. Schaap # 1	ir rospa	Northwes	st Know	les		102001
Exploratory Well	☐ Recompletion	☐ Injection	☐ Other				<b>⊠</b> Original
☐ Development Well	☐ Workover	□ SWD					☐Supplement
County/Parish, State Lea County, NM	Survey/Townsnip Sec 4 - T17S - R38	?F	Unit Description/Measured Local 909' FNL & 2,310'				Projected TD
Dascription of Work		<del></del>	303 1142 & 2,310				12,000
Drill and complete explorator	ry well to Strawn forma	tion.					
		INTANGIBLI	E COSTS	# Williams	Control of the second	is care	
	Description			<del></del>	Drilling		
Abstracts / Legal Fees	DC3G1,Dilot			101	500	201	Completion
Surveys / Permits / Environmental				102	500		
Right - of - Way				103			
Location / Restoration  Mob & Demob	·			104	24,000 45,000	204	2,500
Transportation / Hauling / Barges			··	106	10,000	205	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 Drilling Mud / Completion Fluids				111	37,000 40,000	211	25,000
Water				113	15,000	213	3,000
Fuel				114		214	
Open Hole - Logging / Coring		<del></del>		115	62,000	215	2.122
Engineering / Supervision Geological / Petrophysical Services	Mud Logging - 28 days @	\$ 700 / D		116	31,500 19,600	216	8,400
Casing Services	Midd Logging - 20 days @	370076		118	5,500	218	5,500
Supplies				119		219	
Drilling / Completion Overhead				120	11,600	220	
Equipment Rentals Surface Damages		<del></del>		123	18,000	223	12,000
Stickline / Swabbing				124		228	
Cased Hole - Logging / Perforating						229	25,000
Stimulation - Materials / Services						230	50,000
Colled Tubing - Materials / Services Chemicals - Other						250 254	
Gravel Pack - Materials / Services				1		255	
Bits - Drilling / Completion				156	50,000	256	2,000
Treating						258	
Testing / Analysis Communications				161		260 162	
Labor				162	7,500	262	31,000
P & A Expense				197	8,000		
Miscellaneous	Directional - 6 days @ \$ 7,4	100 / D		199	44,400 57,600	299	
	Insurance			+	37,600	<del> </del>	
O- Haganda				400	10.000		5,000
Contingencies			Total Intangibles	199	10,000	299	202,400
e di Moste e le Code di Mario de la constitució de la constitució de la constitució de la constitució de la co		TANCIDLE	<u></u>	grilling and		ak-stame a C a	
		TANGIBLE	COSTS	ding a hide	利用於 gai 物品,如 skynist	ereget selective	
Conductor Pipe	400.6	<b>*22.00.1</b> *		110	0.000	T	
Surface Casing Intermediate Liner	400 ft 13 3/8" 4,600 ft. 9 5/8"	\$22.00 / ft \$15.00 / ft		121	8,800 69,000	<del>  </del>	_
Drilling Uner	4,000 11. 9 3/8	<b>3</b> 13.507 II		122	09,500	<del>  </del>	
Production Liner	12,000 ft 7°	\$9.50 / ft				226	114,000
Tie-Back	12 000 4 2 7/05	£2.25 ( H				226	39,000
Tubing  Downhole Equipment	12,000 ft 2 7/8"	\$3.25 / ft				227	20,000
Antificial Lift Equipment				+		232	35,000
Tree & Other Production Equipment				133	4,000	233	4,000
Tanks Pipe, Fittings, Valves, etc.	<del></del>					234	15,000 5,000
Separators, Treaters, Heaters, etc.				<del> </del>		236	5,000
			Total Tangibles		81,800		237,000
				Dry Hole	Cost	Τ	1,104,500
				pieted W			1,535,900
		APPROV	ALS	5 12 2 3		4	
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отралу	Signature		Tiue			Date	
IT IS DECOCUITED THAT		CTHATES ON VAND	DODOVAL OF THE AUTHORIZA	TON CUA	LL EXCEND TO THE	1071111	

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.



PS Form 3811, March 2001	2. Article Number (Transfer from service lab., 700			Clark Phipps 525 S. Main, Suite 1500 Tulsa, OK 74103	1. Article Addressed to;	<ul> <li>First your name and address of the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.	SENDER: COMPLETE THIS SECTION	
Domestic Return Receipt	ום ספכס תו			1500		o you. he mailpiece,	o complete lesired.	TION	
urn Receipt	7001 0320 0004 3740 0144	4. Restricted Delivery? (Extra Fee)	3. Service Type  ☐ Certified Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandii ☐ Insured Mail ☐ C.O.D.		If YES, enter delivery address below:	C. Signature  X Muller State S	A. Received by (Please Print Clearly) B.	COMPLETE THIS SECTION ON DELIVERY	
102595-01-M-1		□ Yes	for Merchandii		` ⊒ Q N d		B. Dato Deny	RY	

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.

Sincerety)

Steven W. Horn

SWH/ae

	PRE	STON EXPL	ORATION,	LLC			
Lease and Vveil No.		AUTHORIZATION FO	cl				AFE no.
E. S Exploratory Well	S. Schaap # 1		No. ☐ Other	rthwest Know	les		10200 Original
☐ Development Well	☐ Workover	□ swo					Suppleme
County/Parsh, State Lea County, NM Description of Work	Survey/Township Sec 4 - T17S - R	38E	Unit Description/Mean				Projected TD 12,0
Drill and complete explorate							
And the fact of th	Description		E COSTS	to the second of			
Abstracts / Legal Fees	Description	1		101	Drilling 500	201	Completion
Surveys / Permits / Environmental				102	500		
Right - of - Way				103	24.000		
Location / Restoration Mob & Demob			· · · · · · · · · · · · · · · · · · ·	104	24,000 45,000	204	2,5
Transportation / Hauling / Barges				105	10,000	205	15,0
Drilling / Completion Rig - Turnkey		<del></del>	<del></del>	107	10,000	207	10,0
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D	& 10 days @ \$ 1,800 / D		108	525,000	208	18,0
Cementing - Materials / Services				111	37,000	211	25,0
Drilling Mud / Completion Fluids				112	40,000	212	
Water		<del></del>	<del></del>	113	15,000	213	3,0
Fuel				114	60.000	214	<del> </del>
Open Hole - Logging / Coring Engineering / Supervision				115	62,000 31,500	215	8.4
Geological / Petrophysical Services	Mud Logging - 28 days (	â <b>s</b> 700 / D		117	19,600	210	0,4
Casing Services		<u> </u>	<del></del>	118	5,500	218	5,5
Supplies			····	119.		219	
Drilling / Completion Overhead				120	11,600	220	
Equipment Rentals				123	18,000	223	12,0
Surface Damages		······································		124			<del></del>
Slickline / Swabbing Cased Hole - Logging / Perforating			····			228	25,0
Stimulation - Materials / Services						229	50,0
Colled Tubing - Materials / Services						250	
Chemicals - Other						254	
Gravel Pack - Materials / Services						255	
Bits - Drilling / Completion				156	50,000	256	2,0
Treating					<del></del>	258	····
Testing / Analysis Communications	<del></del>			161		260 162	
abor		<del></del>	<del></del>	162	7,500	252	31,00
P & A Expense	<del></del>			197	8,000	1202	
Miscellaneous	Directional - 6 days @ \$	7,40C / D		199	44,400	299	
	insurance				57,600		
Contingencies				199	10,000	299	5,00
ave in the contract of the con			Total Intang		1,022,700		202,40
onductor Pipe		IANGIBLE	COSTS	110			
urface Casing	400 ft 13 3/8"	\$22.00 / ft		121	8.800	+	
itermediate Liner	4,600 ft. 9 5/8"	\$15.00 / ft		122	69,000	1	
rilling Uner				122			
roduction Liner	12,000 ft 7"	\$9.50 / ft				226	114,00
e-Back	10.000 0 0.70%	P2 25 / 6				226	20.00
ubing ownhole Equipment	12,000 ft 2 7/8"	\$3.25 / ft	<del> </del>	<del></del>		227	39,00 20,00
tificial Lift Equipment				<del></del>		232	35,00
ee & Other Production Equipment				133	4,000	233	4,00
anks						234	15,00
pe, Fittings, Valves, etc.						235	5,00
eparators, Treaters, Heaters, etc.						236	5,00
			Total Tangil		81,800	<u> </u>	237,00
				Dry Hole ( Completed W			1,104,50 1,535,90
The Court of the C		APPROV	ALS.			90.	A STATE OF THE STA
отрялу	Signature	APPROV	ALS			Date	al S South

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) 5964 1361 \$ .34 Postage Certified Fee 2.10 Postmark 0016 Return Receipt Fee (Endorsement Required) Here 1.50 10/15/2001 Restricted Delivery Fee (Endorsement Required) 00hE 3.94 Total Postage & Fees \$ 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 7099 Hobbs , NM 88240
PS Form 3800 February 2000 See Reverse for Instructions

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COMPLETE THIS SECTION ON DELIVERY

- 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.
- Article Addressed to:

Sam & Lisa Seed 13207 Calle Alto Hobbs, NM 88240

# A. Received by (Please Print Clearly) A. Received by (Please Print Clearly) B. Date of Delivery | 0 - 20 - 20 | C. Signature X Addresset D. Is delivery address different from item 1? | Yes If YES, enter delivery address below: XX No

2. Article Number (Copy from service label)

PS Form 3811, July 1999

Domestic Return Receipt

Restricted Delivery? (Extra Fee)

☐ Yes

Service Type

Certified Mail
Registered
Insured Mail

☐ Express Mail
☐ Return Receipt for Merchandise
☐ C.O.D.

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

	OE	STON EYDI	ORATION, LL	<del></del>			
<u>L</u>	FRE:	AUTHORIZATION FO		. <u>U</u>			<u></u>
Lease and Well No.	S. Schaap #1	Prospe	1	est Know	les		102001
Exploratory Well  Development Well	Recompletion Workover	☐ Injection☐ SWD	Other				⊞Original  □Supplement
County/Persix, State Lea County, NM	Sec 4 - T17S - R	38E	Unit Description/Measured Los 909' FNL & 2,310				Projected TD 12,000
Drill and complete explorato							
	an a	E TO INTANGIBLE	COSTS⊋ A. A. T. S.	Slavies.		aver.	
Abeliand (Lorest Coop	Description			101	Drilling 500		Completion
Abstracts / Legal Fees Surveys / Permits / Environmental				101	500	201	
Right - of - Way_				103	04.000		
Location / Restoration  Mob & Demob				104	24,000 45,000	204	2,500
Transportation / Hauting / Barges			· · · · · · · · · · · · · · · · · · ·	106	10,000	208	15,000
Drilling / Completion Rig - Turnkey				107	505.000	207	
Drilling / Completion Rig - Day Rate Camenting - Materials / Services	42 Days @ \$ 12,500 / D	& 10 days @ \$ 1,800 / D		108	525,000 37,000	208	18,000 25,000
Drilling Mud / Completion Fluids				112	40,000	212	20,000
Water				113	15,000	213	3,000
Fuel Open Hole - Logging / Coring		· · · · · · · · · · · · · · · · · · ·		114	62,000	214	
Engineering / Supervision				116	31,500	216	8,400
Geological / Petrophysical Services	Mud Logging - 28 days @	\$ 700 / D		117	19,600		5.500
Casing Services Supplies				118	5,500	218	5,500
Drilling / Completion Overhead				120	11,600	220	
Equipment Rentals				123	18,000	223	12,000
Surface Damages Slickline / Swebbling				124		228	
Cased Hole - Logging / Perforating						229	25,000
Stimulation - Materials / Services				-		230	50,000
Colled Tubing - Materials / Services Chemicals - Other		<del></del>				250	
Gravel Pack - Materials / Services						255	
Bits - Orlifing / Completion		· · · · · · · · · · · · · · · · · · ·		158	50,000	256	2,000
Treating Testing / Analysis						258	
Communications				161		162	
Labor			··	162	7,500	262	31,000
P & A Expense Miscellaneous	Directional - 8 days @ \$ 7	2400 / D		197	8,000 44,400	299	
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Contingencies				199	10,000	299	5,000
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Conductor Pipe Surface Casing	400 ft 13 3/8"	\$22.00 / ft		110	8,800		<del> </del>
Intermediate Liner	4,800 fL 9 5/8"	\$15.00 / ft		122	69,000		
Drilling Liner				122			444.000
Production Liner Tie-Back	12,000 ft 7°	\$9.50 / R			<del></del>	226	- 114,000
Tubing	12,000 ft 2 7/8°	\$3.25 / ft				227	39,000
Downhole Equipment						231	20,000
Artificial Uft Equipment Tree & Other Production Equipment		······································		133	4,000	232	35,000 4,000
Tanks					-,500	234	15,000
Pipe, Fittings, Valves, etc.						235	5,000
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IT IS RECOGNIZED THAT		ESTIMATES ONLY AND A	PPROVAL OF THIS AUTHORIZA	ATION SHAL	L EXTEND TO THE	ACTUAL.	<u> </u>

COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

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7007	Sam & Lisa Seed Street Act No. or FOSE2.07 Calle Alto CHODDS; NM 88240							
· Commen	PS Form 8800, January 20	01		See Reverse for Instructions				

## Article Number Article Addressed to: 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, SENDER: COMPLETE THIS SECTION Sam & Lisa Seed ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. 13207 Calle Alto Hobbs, NM 88240 (Transfer from service label) or on the front if space permits. 7001 920 0004 3240 0028 D. ls Wellvery address different from item 1? Yes If YES, enter delivery address below: Yes C. Signatury A. Received by (Please Print Clearly) | B. Date of Delive COMPLETE THIS SECTION ON DELIVERY 4. Restricted Delivery? (Extra Fee) Service Type ☐ Registered ☐ Registered ☐ Insured Mail Am SEED ☐ Express Mail ☐ Return Receipt for Merchandi: ☐ C.O.D. 10-26-01 ☐ Yes

PS Fǫrm 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

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Laase and Well No.		AUTHORIZATION FO	1				AFE NO.
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Surveys / Permits / Environmental				102	500	201	<del> </del>
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Location / Restoration				104	24,000	204	2,50
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Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey		- <del></del>		107	10,000	206	15,00
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 1	0 days @ \$ 1,800 / D	<del></del>	108	525,000	208	18,00
Cementing - Materials / Services				111	37,000	211	25,00
Drilling Mud / Completion Fluids				112	40,000	212	
Water 				113	15,000	213	3,0
Fuel Open Hole - Logging / Coring				114	62,000	214	
Engineering / Supervision				116	31,500	215	B,41
Geological / Petrophysical Services	Mud Logging - 28 days @ \$	700 / D		117	19,600	1 - 10	- 0,1
Casing Services				118	5,500	218	5,5
Supplies				119		219	
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Quipment Rentals				123	18,000	223	12,0
Surface Damages Slickline / Swabbing				124		228	
Cased Hole - Logging / Perforating		<del></del>				229	25,0
Stimulation - Materials / Services			<del></del>	1		230	50,00
Coiled Tubing - Materials / Services						250	
Chemicals - Other						254	
Gravel Pack - Materials / Services						255	
Bits - Drilling / Completion				156	50,000	256	2,00
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U.S. Postal Service **CERTIFIED MAIL RECEIPT** (Domestic Mail Only; No Insurance Coverage Provided) 97E7 5964 Postage .34 Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) 0016 Here 1.50 10/15/2001 Restricted Delivery Fee (Endorsement Required) 00hE Total Postage & Fees \$ 3.94 Activitien: Na Safeae PWickady it atm: smpleted by mailer Sempra Energy Production Co. 7099 8235 Douglas Avenue, Ste. 525 Dallas, Texas

	Attn: Sara Williams	Sempra Energy Resources Co. 8235 Douglas Ave., Ste 525 Dallas, Texas 75225	1. Article Addressed to:	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.
4. Restricted Delivery? (Extra Fee)	Service Type     ☐ Express Mail     ☐ Registered    ☐ Return Receipt for Merchandise     ☐ Insured Mail    ☐ C.O.D.		If YES, enter delivery address below: 🐰 No	A. Fibely of by (Fiberse Print Clearly)  C. Signature  C. Signature  C. A. M. C. A. M. C. Addresse

PS Form 3811, July 1999	2. Article Number (Copy from service label) 7099 3400 0016 5964 1316
Domestic Return Receipt	1316

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:

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- 2. A 1/5 royalty
- 3. Two (2) year primary term (paid-up)

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Sincerely,

Steven W. Horn

SWH/ae

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	PRE	STON EXPL		I, LLC				
Lassa and Well No.		AUTHORIZATION FO	ct					AFE No.
	S. Schaap # 1			Northwest Kr	now	les		102001
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County/Parish, State Lea County, NM	Survey/Township Sec 4 - T175 - F			Measured Location & 2,310' FWL	<del></del>			Projected TD 12,000
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Mob & Demob					105	45,000	205	
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Cementing - Materials / Services					111	37,000	211	25,000
Drilling Mud / Completion Fluids Water			·		112	40,000 15,000	212	3,000
Fuel		- <u> </u>			114	13,000	214	3,000
Open Hole - Logging / Coring					115	62,000	215	
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Equipment Rentals Surface Damages					123 124	18,000	223	12,000
Silckline / Swabbing							228	
Cased Hole - Logging / Perforating							229	25,000
Stimulation - Materials / Services Colled Tubing - Materials / Services							230	50,000
Chemicals - Other							254	
Gravel Pack - Materials / Services							255	
Bits - Drilling / Completion				1	156	50,000	258	2,000
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Communications				1	61		162	
Labor					62	7,500	262	31,000
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ו ספבס דסס	•୫2୫5% Doug	\$ 3.94  Sara Williergy Production  las Avenue,  exas 75225	Stion Co. Suite 525
<b>1</b> ~	<u> </u>		. ≨. See Reverse for Instructions

2. Article Number 7001 0320		Attn: Sara Williams	Dallas, Texas 75225	Sempra Energy Production Co.	1. Article Addressed to:	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.	<ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse</li> </ul>	SENDER: COMPLETE THIS SECTION
אנסם סאלב אססם ספבס נססל	4. Restricted Delivery? (Extra Fee) ☐ Yes	Service Type		•	D. Is delivery address different from item 17. Let res  If YES, enter delivery address below:   No	C. Signature  X B. M. La C. Address	A Received by (Please Print Clearly) B. Date of Delive B. McGehere	COMPLETE THIS SECTION ON DELIVERY

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

	PRE		LORATION, LI	_C			
Lease and Well No.		AUTHORIZATION F	OR EXPENDITURE				JAFE NO
	Schaap # 1		Northy	vest Knowl	es		102001
Exploratory Well Development Well	☐ Recompletion ☐ Workover	☐ Injection ☐ SWD	Other				⊡Original □Supplement
County/Farish, State Lea County, NM Description of Work	Survey/Township Sec 4 - T17S - R	38E	909' FNL & 2,31				Projected TD 12,000
Drill and complete explorator	y well to Strawn form	ation.					
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A Company of the State of the S	Description		LE COSTS	Paul Chies And Spe	Drilling	10人的 有形容器	
Abstracts / Legal Fees	Вооприо	<u> </u>		101	500	201	Completion
Surveys / Permits / Environmental				102	500		
Right - of - Way				103			
Location / Restoration				104	24,000	204	2,500
Mob & Demob		<del> </del>		105	45,000	205	
Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey	<del></del>	<del></del>		106	10,000	206	15,000
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12 500 / D	& 10 days @ \$ 1,800 / D		108	525,000	207	18,000
Cementing - Materials / Services	Duya (w # 12,000 / D	u days @ # 1,000 / D	······································	111	37,000	211	25,000
Drilling Mud / Completion Fluids			<del></del>	112	40,000	212	20,000
Water				113	15,000	213	3,000
Fuel				114		214	
Open Hale - Logging / Coring				115	62,000	215	
Engineering / Supervision				116	31,500	215	8,400
Geological / Petrophysical Services	Mud Logging - 28 days (	ᡚ\$700/D		117	19,600		
Casing Services		<del></del>		118	5,500	218	5,500
Supplies Ddillos / Completion Overhand		<del></del>		119	41.000	219	
Drilling / Completion Overhead Equipment Rentals				120	11,600 18,000	220	12,000
Surface Damages				123	10,000	223	12,000
Slickline / Swabbing				+ "-" +		228	
Cased Hole - Logging / Perforating		<del></del>				229	25,000
Stimulation - Materials / Services						230	50,000
Colled Tubing - Materials / Services						250	
Chemicals - Other						254	
Gravel Pack - Materials / Services						255	
Bils - Drilling / Completion				156	50,000	256	2,000
Treating						258	
Testing / Analysis						260	
Communications				161		162	
Labor		<del></del>		162	7,500	262	31,000
P & A Expense Miscellaneous	Directional - 6 days @ \$	7 400 / D	···	197	8,000 44,400	299	<del></del>
iuracerrat icada	Insurance	7.40070		199	57,600	299	
						1	
Contingencies				199	10,000	299	5,000
region of Care and a second			Total Intangibles		1,022,700		202,400
	<u>Birgisti ya kwa alimbiya k</u>	TANGIBLE	COSTS			<u> </u>	7,000
Conductor Pipe	400.0	#20 C2 / 2		110		<del>  </del>	
Surface Casing	400 ft 13 3/8"	\$22.00 / ft		121	8,800	+	
ntermediate Liner Orilling Liner	4,600 ft. 9 5/8*	\$15.00 / ft		122	69,000	<del></del>	
orduction Liner	12,000 ft 7*	\$9.50 / ft	· · · · · · · · · · · · · · · · · · ·	122		226	114,000
Re-Back	12,000 R 7	##.JU / IL		<del>  -</del>	<del></del>	226	114,000
Cubing	12,000 ft 2 7/8"	\$3.25 / ft	· · · · · · · · · · · · · · · · · · ·	<del></del>	<del></del>	227	39,000
Downhole Equipment		<del></del>		<del></del>		231	20,000
						232	35,000
Artificial Lift Equipment				133	4,000	233	4,000
Tree & Other Production Equipment						234	15,000
ree & Other Production Equipment ranks						235	5,000
ree & Other Production Equipment ranks Pipe, Fittings, Vaives, etc.			·				€ ∆∩∩
ree & Other Production Equipment ranks Pipe, Fittings, Vaives, etc.			T-1-1 T101		24 200	236	5,000
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Tree & Other Production Equipment Tanks Pipe, Fittings, Valves, etc. Separators, Treaters, Heaters, etc.	Signature	. APPRO		ompleted We	ost Il Cost		237,000 1,104,500 1,535,900

IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUA COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

1439	U.S. Postal S CERTIFIED (Domestic Mail C	M	AIL RECE	EIPT overage Provided)
h 5	Postage	\$	.34	
r.) IL	Certified Fee		2.10	Postmark
_B(	Return Receipt Fee (Endorsement Required)		1.50	Here
0076	Restricted Delivery Fee ! Endorsement Required)			10/25/200
00	Total Postage & Fees	\$	3.94	
7099	Recipient's Name (Please  Lila Sn Street, Apt. No.; or PO Bo  223 S. Da  Oity, State. ZIP+4  Culsa OK S Form 3800, February 2	ow rli 74		

Oil and Gas P. O. Box 2755

Steven W. Horn



E. Lila Snow 4223 S. Darlington Avenue Tulsa, OK 74135

Nothau 10-2001

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 apy-questions.

Sincerely,

Steven W. Horn

SWH/ae

	PRESTO	N EXPLO	RATION	V, LL	:			
Lasse and Well No.	ITUA.	HORIZATION FOR I						AFE no.
E. S	S. Schaap # 1	Injection	☐ Other	Northwest	Know	les		10200
☐ Development Well	☐ Workover ☐	SWD						⊞Original □Supplemen
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E			Measured Location & 2,310' FV	٧L			Projected TD 12,00
Drill and complete explorate	ory well to Strawn formation.	,,	·					· I
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Abstracts / Legal Fees Surveys / Permits / Environmental			· · · · · · · · · · · · · · · · · · ·		101	500 500	201	
Right - of - Way					103	300	+-	<del> </del>
Location / Restoration					104	24,000	204	2,50
Viola & Demob		<del> </del>			105	45,000	205	45.0
ransportation / Hauting / Barges Drilling / Completion Rig - Turnkey					108	10,000	206	15,00
oriting / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 day	s @ \$ 1,800 / D			108	525,000	208	18,00
ementing - Materials / Services					111	37,000	211	25,0
rilling Mud / Completion Fluids			<del></del>		112	40,000	212	
vater uel					113	15,000	213	3,00
pen Hole - Logging / Coring					115	62,000	215	
ngineering / Supervision					116	31,500	216	8,40
eological / Petrophysical Services asing Services	Mud Logging - 28 days @ \$ 700 /	D			117	19,600 5,500	1 242	
upplies			·		119.	5,500	218 219	5,5
ritting / Completion Overhead					120	11,600	220	
quipment Rentals					123	18,000	223	12,00
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timulation - Materials / Services						<del></del>	230	50,00
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hemicals - Other		<del> </del>					254	
ravel Pack - Materials / Services ts - Drilling / Completion					158	50,000	255 256	2,00
reating	<del></del>					30,000	258	2,00
esting / Analysis							260	
ommunications					161		162	
abor & A Expense		<del> </del>			162	7,500	262	31,00
a A Expense	Directional - 6 days @ \$ 7,400 / D				199	8,000 44,400	299	
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parators, Treaters, Heaters, etc.		······································	Total Tan	nolhiae		81,800	236	5,000 237,000
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Programme Commence

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9950			Service Comments
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m r~	Certified Fee	2.10	Postmark
<u> </u>	Return Receipt Fee (Endorsement Required)	1.50	Here
4000	Restricted Delivery Fee (Endorsement Required)		10/22/01
디디	Total Postage & Fees	\$ 3.94	
7001 03	Sent To  E. Lila S  Street Act, No. oAd B. Svo. S. Do	nowarlington	Avenue
7.0	Thirdsa; OK		
f f	PS Form 3800, January 20	J01	See Reverse for Instructions

PS Form 3811 March 2001 Domestic	2. Article Number (Transfer from service label) 7001 0320			Tulsa, Oklahoma 74135	4223 S. Darlington Avenue	E. Lila Snow	1. Article Addressed to:		Attach this card to the back of the mailpiece, or on the front if space permits.	so that we can return the card to vol.	item 4 if Restricted Delivery is desired.	■ Complete items 1, 2, and 3. Also complete	SENDER: COMPLETE THIS SECTION	(
Domestic Return Receipt	7001 0320 0004 3739 9950	4. Restricted Delivery? (Extra Fee) ☐ Yes	3. Service Type				If YES, enter delivery address below: XXNo	— D. Is delivery address different from item 1? ☐ Yes	X	- Ci Signature	17	A. Received by (Please Print Clearly) B. Date of Deliver	COMPLETE THIS SECTION ON DELIVERY	

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

Development Well  County/Parsh, State Lea County, NM  Description of Work Drill and complete exploratory we  Abstracts / Legal Fees Surveys / Permits / Environmental Right - of - Way Location / Restoration Mob & Demob Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rale Cementing - Materials / Services Drilling Mud / Completion Fluids Water Fuel	Recom Worko Survey/Towns Sec 4 -	T17S - R3 awn forma Description		Other Unit Description 909' FNL	Northwes  //Measured Location & 2,310' F	on FWL		201	102001 GOriginal Supplement Projected TD 12,000 Completion
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Development Well  County/Parsh, State Lea County, NM  Description of Work Drill and complete exploratory we  Abstracts / Legal Fees Surveys / Permits / Environmental Right - of - Way Location / Restoration Mob & Demob Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rale Cementing - Materials / Services Drilling Mud / Completion Fluids Water Fuel	Worko  Survey/Towns  Sec 4 -	ver T17S - R3 awn forma Description	SWD  SE  STITUTE STATE S	Unit Description 909' FNL	& 2,310' F	101 102 103	Drilling 500	T	Supplement Projected TD 12,000
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Right - of - Way Location / Restoration Mob & Demob Transportation / Hauling / Barges Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate Cementing - Materials / Services Drilling Mud / Completion Fluids Water Fuel	42 Days @	\$ 12,500 / D 8	10 days @ \$ 1,800 / D			103	500		
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Drilling / Completion Rig - Turnkey Drilling / Completion Rig - Day Rate Cementing - Materials / Services Drilling Mud / Completion Fluids Water Fuel	42 Days @	\$ 12,500 / D 8	10 days @ \$ 1,800 / D			105	45,000	205	2,300
Drilling / Completion Rig - Day Rate Cementing - Materials / Services Drilling Mud / Completion Fluids Water Fuel	42 Days ල	\$ 12,500 / D 8	10 days @ \$ 1,800 / D			106	10,000	206	15,000
Cementing - Materials / Services Drilling Mud / Completion Fluids Water Fuel	42 Days @	\$ 12,500 / D o	* IC days (co a linuurii			107	525,000	207	48.000
Drilling Mud / Completion Fluids Water Fuel					· · · · · · · · · · · · · · · · · · ·	111	37,000	208	18,000 25,000
Fuel						112	40,000	212	
-						113	15,000	213	3,000
Open Hole - Logging / Coring			· <del>- · · · · · · · · · · · · · · · · · ·</del>	<del></del>		114	62,000	214	<del></del>
Engineering / Supervision						116	31,500	216	8,400
Geological / Petrophysical Services	Mud Loggin	g - 28 days @	\$ 700 / D			117	19,600		
Casing Services						118	5,500	218	5,500
Supplies Drilling / Completion Overhead		<del></del>				119	11,600	219	
Equipment Rentals						123	18,000	223	12,000
Surface Damages						124			
Slickline / Swabbing  Cased Hole - Logging / Perforating								228	25,000
Stimulation - Materials / Services			<del></del>			1		230	50,000
Colled Tubing - Materials / Services								250	
Chemicals - Other								254	
Gravel Pack - Materials / Services	<del></del> –			<del></del>		156	E0.000	255	2.000
Bits - Drilling / Completion Treating					<u>·</u>	130	50,000	256 258	2,000
Testing / Analysis								260	
Communications						161		162	
Labor P & A Expense				······································		162 197	7,500 8,000	262	31,000
	Directional -	6 days @ \$ 7,	400 / D			199	44,400	299	
<u> 11</u>	nsurance			<del></del>			57,600		
		· · · · · ·							
Contingencies						199	10,000	299	5,000
ontingenaes.				Total int	angibles	/33	1,022,700	233	202,400
			TANGIBLE	COSTS				- Tarkaria	
Conductor Pipe						110		1	
Surface Casing 4	100 ft	13 3/8"	\$22,00 / ft		·	121	8,800		
_	,600 ft.	9 5/8"	\$15.00 / ft			122	69,000		
Drilling Liner Production Liner	2 000 6	7*	\$9.50 / ft			122		226	114,000
Tie-Back	2,000 ft		90,007 R			╅╼╼═┼	<del></del>	226	117,000
Tubing 1	2,000 ft	2 7/8*	\$3.25 / ft					227	39,000
Downhole Equipment						1		231	20,000
Artificial Lift Equipment Tree & Other Production Equipment					<del></del>	133	4,000	232	35,000 4,000
Tanks							-,555	234	15,000
Pipe, Fittings, Valves, etc.								235	5,000
Separators, Treaters, Heaters, etc.			· · · · · · · · · · · · · · · · · · ·	Total Ta	naibles	<del>                                     </del>	81,800	236	5,000 237,000
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						ry Hole ( pleted W			1,104,500 1,535,900
			APPROV	ALS.				94 3. ·	
			7.1.1.04)		g (2) e 11 fg (4)	<u> 1934 - A. A. B</u>	<u></u>	- : *' _ '	<u> </u>

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.

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<u></u>	U.S. Postal Service CERTIFIED MAIL RECEIPT [Domestic Mail Only; No Insurance Coverage Provided]							
1,38								
0016 5964	Postage	\$	.34					
	Certified Fee		2.10	Postmark				
	Return Receipt Fee (Endorsement Required)		1.50	Here				
	Restricted Delivery Fee (Endorsement Required)			10/15/2001				
00hE	Total Postage & Fees	\$	3.94					
LJ.	Recipient's Name (Please Print Clearly) (to be completed by mailer)							
7099	Mike Tinley Street Apt. No. of PO B No. P.O. Box 1258							
	City, State, ZIP+4 Hobbs, NM	88241						
	PS Form 3800, February 2	מססי		> See Reverse for Instructions				

# Article Addressed to: Complete items 1, 2, and 3. Also complete item 4-if Restricted Delivery is desired. Print your name and address on the reverse SENDER: COMPLETE THIS SECTION 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. Hobbs, NM 88241 Mike Tinley P.O. Box 1258 D. Is delivery address different from item 1? Yes If YES, enter delivery address below: YENO \* Dickle C. Signature A. Received by (Please Print Clearly) B. Data of Deliver COMPLETE THIS SECTION ON DELIVERY 4. Restricted Delivery? (Extra Fee) Service Type Certified Mail Registered ☐ Insured Mail ☐ C.O.D. Express Mail ☐ Return Receipt for Merchandise MUKO G Addresser ☐ 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

		PLORATION, L	<u>Lu</u>			
Casse and Well No.		Y FOR EXPENDITURE	vest Knowl	98		AFE No.
Exploratory Well  Development Well	Recompletion injection Workover SWD	Other	Test Itilowi			1020 ⊞Original □Suppleme
County/Parish, State Lea County, NM	Survey/Township Sec 4 - T17S - R38E	Unit Description/Measured 909' FNL & 2,31	Location		<del></del>	Projected TO
Drill and complete explorato		1003 7 112 01 2,0	7772			12,0
Drin and Complete explorato	Ty Well to Strawn formation.					
	INTANG	BLE COSTS CONTRACTOR			<b>经验证</b>	
	Description			Drilling	T	Completion
Abstracts / Legal Fees			101	500	201	
Surveys / Permits / Environmental Right - of - Way			102	500		<del> </del>
Location / Restoration		<del></del>	104	24,000	204	2
Mob & Demob		<del></del>	105	45,000	205	<del> </del>
Transportation / Hauting / Barges			106	10,000	206	15
Drilling / Completion Rig - Turnkey			107		207	<del>                                     </del>
Drilling / Completion Rig - Day Rate	42 Days @ \$ 12,500 / D & 10 days @ \$ 1,800 /	D	108	525,000	208	18.
Cementing - Materials / Services			111	37,000	211	25
Driffing Mud / Completion Fluids			112	40,000	212	ļ
Water Fuel	·	<del></del>	113	15,000	213	3
Den Hole - Logging / Coring			114	62,000	214	
Engineering / Supervision		<del></del>	118	31,500	215	8.
Geological / Petrophysical Services	Mud Logging - 28 days @ \$ 700 / D		117	19,600	+	<del>-</del>
Casing Services			118	5,500	218	5,
Supplies			119.		219	
Oriting / Completion Overhead			120	11,600	220	
Equipment Rentals		· <del></del>	123	18,000	223	12,
Surface Damages Slickline / Swobbing			124		228	
Cased Hole - Logging / Perforating			<del>-   -</del>	<del></del>	229	25,
Stimulation - Materials / Services					230	50,0
Colled Tubing - Materials / Services					250	
Chemicals - Other					254	
Gravel Pack - Materials / Services					255	
Sits - Oriting / Completion		· · · · · · · · · · · · · · · · · · ·	158	50,000	256	2,
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esting / Analysis communications		······································	161	<del></del>	260	
abor	·		162	7,500	162 262	31,0
* & A Expense			197	8,000	1-25-	
liscalianeous	Directional - 8 days @ \$ 7,400 / D		199	44,400	299	
	Insurance			57,600		
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ontingencies	· · · · · · · · · · · · · · · · · · ·		199	10,000	299	5,0
·		Total intangibles		1,022,700	1	202,4
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onductor Pipe			110			
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illing Liner			122		1	
oduction Liner e-Back	12,000 ft 7° \$9.50 / ft	<del></del>			226	114,0
e-Back	12,000 ft 2 7/8" \$3.25 / ft			<del></del>	226	39,0
winhole Equipment	12,000 N 27/0 \$0.207 N	·	<del></del>		231	20,0
tifidal Lift Equipment	<del></del>	<del></del>		<del></del>	237	35,0
se & Other Production Equipment			133	4,000	233	4,0
nks					234	15,0
pe, Fittings, Valves, etc.					235	5,0
parators, Treaters, Heaters, etc.					236	5,0
		Total Tangibles		81,800		237,0
			Dry Hole Co	st		1,104,50
		С	ompleted Wel	l Cost		1,535,90
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COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.

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U.S. Postal Service **CERTIFIED MAIL RECEIPT** (Domestic Mail Only; No Insurance Coverage Provided) 0045 3740 .34 Postage Certified Fee 2.10 Postmark Return Receipt Fee (Endorsement Required) Here 4000 1.50 Restricted Delivery Fee (Endorsement Required) 0350 Total Postage & Fees | \$ 10/22/01 3.94 Sent To Mike Tinley
Sirest, Apt. No.
or AB 8 20 No. Box 1258 7007 correspond NM 88241 PS Form 3800, January 2001

PS Form 3811, March 2001	2. Article Number (Transfer from service label) 7001	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	
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ceipt	0 h 2 E	A. Received by (Pit  C. Signature  C. Signature  If YES, enterdig  If YES, enterdig  On the Color	
	2400 042E 4000 02EO 1004	A. Received by (Please Print Clearly)  B. Date of DeliverY  C. Signature  C. Signature  C. Signature  D. Is delivery address different from item 1?  Address  If YES, enter delivery eddress ablow:  The Print Clearly  Address  A No  O  O  O  O  O  O  O  O  O  O  O  O  O	TO COSTON ON DELIVE
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	PRESTON EXPLORATION, LLC										
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					orthwest	Know	es		102001 <b>⊞</b> Original		
☐ Development Well ☐ Workover ☐ SWD			Other _								
County/Parish, State Lea County, N	Sec 4 -	T17S - R3	8E		Unit Description/Measured Location 909' FNL & 2,310' FWL				Projected TD 12,000		
Drill and com	plete exploratory	well to Stra	wn forma	tion.							
ANTANGIBLE; COSTS											
			Description				Ţ	Drilling	1	Completion	
Abstracts / Legal Fe							101	500	201		
Surveys / Permits / I Right - of - Way	EUAlloulueutai					<del></del>	102	500	<del> </del>		
Location / Restoration	on						104	24,000	204	2,500	
Mob & Demob Transportation / Hau	iling / Barnes					· · · · · · · · · · · · · · · · · · ·	105	45,000 10,000	205	15,000	
Drilling / Completion							107	70,000	207	15,000	
Drilling / Completion		42 Days @	\$ 12,500 / D 8	10 days @ \$ 1,800 / D			108	525,000	208	18,000	
Cementing - Material Drilling Mud / Comp				<del></del>			111	37,000 40,000	211	25,000	
Water			·				113	15,000	213	3,000	
Fuel	- 10		<del></del>				114	62.000	214		
Open Hole - Logging Engineering / Super			<del></del>	<del></del>			115	62,000 31,500	215	8,400	
Geological / Petroph		Mud Loggin	g - 28 days @	\$ 700 / D			117	19,600			
Casing Services Supplies							118	5,500	218	5,500	
Orilling / Completion	Overhead			····	<del>~ · · · · · · · · · · · · · · · · · · ·</del>		120	11,600	220		
Equipment Rentals							123	18,000	223	12,000	
Surface Damages Silckline / Swabbing					<del></del>		124		228		
Cased Hole - Loggin	ng / Perforating								229	25,000	
Stimulation - Materia Colled Tubing - Materia							<b> </b>	<del></del>	230	50,000	
Chamicals - Other	erials / Services								254		
Gravel Pack - Materi	-					<del>, , , , , , , , , , , , , , , , , , , </del>			255		
Bits - Drilling / Comp Treating	pletion					<del> </del>	158	50,000	256 258	2,000	
Testing / Analysis					· · · · · · · · · · · · · · · · · · ·				260		
Communications							161		162	01.000	
Labor P & A Expense							162 197	7,500 8,000	262	31,000	
Miscellaneous			6 days @ \$ 7	,400 / D			199	44,400	299		
		Insurance						57,600			
<b>A</b>							400	40.000		F 000	
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Surface Casing		400 ft	13 3/8"	\$22.00 / ft	<del></del>		110	8,800			
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Orithing Liner Production Liner		12,000 ft	7*	\$9.50 / ft			122	<del></del>	226	114,000	
Tie-Back				40.007.4					226		
Tubing	•	12,000 fl	2 7/8"	\$3.25 / ft					227	39,000 20,000	
Downhole Equipment Artificial Lift Equipment				<del></del>			-		231 232	35,000	
Tree & Other Produc	tion Equipment						133	4,000	233	4,000	
Tanks Pipe, Fittings, Valves	ı. etc.								234 235	15,000 5,000	
Separators, Treaters									236	5,000	
					Total Ta	ingibles	L	81,800	L	237,000	
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ompany IT IS	RECOGNIZED THAT T	HE AMOUNTS	Signature	ESTIMATES ONLY AND	APPROVAL OF THIS	Tive	ON SHA	LL EXTEND TO THE	Date ACTUA		

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