

MANZANO, LLC

P.O. Box 2107
Roswell, New Mexico 88202-2107
Office: (505) 623-1996

121 West Third Street
Roswell, New Mexico 88201
Fax: (505) 625-2620

June 19, 2002

VIA CERTIFIED MAIL,
RETURN RECEIPT REQUESTED
AND REGULAR MAIL

To the working interest owners

Re: Well proposal for Manzano's Green Flash "30" Fed Com No. 1 Well

Gentlemen:

Manzano, LLC hereby proposes to drill its Green Flash "30" Fed Com No. 1 Well at a legal location of 660 feet from the north line and 660 feet from the west line of Section 30, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, to a depth of 11,900 feet to test the Morrow Formation. The proposed proration unit for the well would be the W/2 of said Section 30. Duplicates of our AFE for such well are enclosed herewith. Please indicate whether or not you elect to participate in the proposed well by selecting the election set forth below.

We ask for your prompt response to this proposal, but in any event, your response should be received by Manzano within 30 days from the date hereof. If you elect to participate in the drilling of the well, you must also execute and return the enclosed AFE with your election within said 30-day time period.

Our records indicate that your working interest in the W/2 unit is 18.22088%.

If you have any questions regarding this proposal, please contact Kenneth Barbe, Jr. at Manzano.


Kenneth Barbe, Jr.

_____ Elect to participate in the drilling of the well as proposed above and a signed AFE is enclosed.

_____ Elect not to participate in the proposed well.

Manzano, LLC

June 19, 2002

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By: EOG Resources, Inc.

By: _____

Date: _____

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AUTHORIZATION FOR EXPENDITURE

WELL: <u>Green Flash Fed #1</u>	PROSPECT: <u>Sparks</u>
LOCATION: <u>660'FN & 660' FW-Sec. 30-T18S-R30E</u>	
COUNTY: <u>Eddy</u>	STATE: <u>New Mexico</u>
OBJECTIVE/TD: <u>Morrow/11,900'</u>	AFE DATE: <u>6/10/02</u>

INTANGIBLE DRILLING/DEVELOPMENT COSTS

CODE	ITEM	DRY HOLE	COMPLETION	TOTAL
1	Land & Leasehold Costs			\$0
2	Legal/Title Abstracts	\$10,000	\$5,000	\$15,000
3	Damages			\$0
4	P&A/Lease Restoration	\$10,000	\$2,000	\$12,000
5	Bits, Reamers & Stabilizers			\$0
6	Mobilization & Fuel			\$0
7	Prospect Fee			\$0
8	Geologist/Geophys./Landman Fee's			\$0
9	Surveying & Permits	\$2,000		\$2,000
10	Location & Roads	\$25,000		\$25,000
11	Footage: <u>11900' @ \$30.00</u>	\$357,000		\$357,000
12	Daywork: <u>6 day @ \$7500</u>	\$30,000	\$15,000	\$45,000
13	Completion Unit: <u>14 dy @ \$2000</u>		\$28,000	\$28,000
14	Mud Logging: <u>20dy @ \$650</u>	\$14,000		\$14,000
15	Drill Stem Tests: <u>2 @ \$5000</u>	\$10,000		\$10,000
16	Roustabout/Trucking/Casing Crew	\$3,000	\$5,000	\$8,000
17	Mud & Chemicals	\$40,000		\$40,000
18	Cement: Surface & Conductor	\$5,000		\$5,000
19	Cement: Intermediate	\$16,000		\$16,000
20	Cement: Production		\$25,000	\$25,000
21	Open Hole Logging	\$25,000		\$25,000
22	Tie-In Log/CBL/Perforating		\$15,000	\$15,000
23	Stimulation		\$15,000	\$15,000
24	Labor/Supervision: Contract			\$0
25	Labor/Supervision: Company	\$5,000	\$10,000	\$15,000
26	Administrative Overhead	\$5,000	\$3,000	\$8,000
27	Rental Tools & Equipment	\$5,000	\$10,000	\$15,000
28	Downhole Motor & Services			\$0
29	Water	\$13,000	\$2,000	\$15,000
30	Misc. (2%) & Tax (5%)	\$40,000	\$10,000	\$50,000
31	Core & Core Analysis			\$0
32	Tank Battery/Facility/Electrical		\$10,000	\$10,000
Total Intangible Costs		\$615,000	\$155,000	\$770,000

CODE	TANGIBLE COSTS	DRY HOLE	COMPLETION	TOTAL
36	Surf: <u>400' 13 3/8" @ \$17</u>	\$7,000		\$7,000
37	Interm: <u>3500' 8 5/8" @ \$11.00</u>	\$39,000		\$39,000
38	Prod: <u>11900' 5 1/2" @ \$7.00</u>		\$84,000	\$84,000
39	Tubing: <u>11900' 2 7/8" @ \$3.00</u>		\$36,000	\$36,000
40	Wellhead Equipment	\$6,000	\$10,000	\$16,000
41	Rods			\$0
42	Packers		\$5,000	\$5,000
43	Downhole Pump			\$0
44	Pumping Unit & Prime Mover			\$0
45	Float Equipment	\$2,000	\$4,000	\$6,000
46	Tanks, Flowlines & Fittings		\$25,000	\$25,000
47	Separator/Heater Treater		\$7,000	\$7,000
48	Gas Lines & Meters		\$2,000	\$2,000
49	Misc. (2%) + Tax (5%)	\$6,000	\$12,000	\$18,000
Total Tangible Costs		\$60,000	\$185,000	\$245,000

TOTAL WELL COST EST.	\$675,000	\$340,000	\$1,015,000
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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 OPERATIONS SPECIFIED HEREIN.

MANZANO OIL CORPORATION
P.O. BOX 2107
ROSWELL, NM 88202-2107
(505) 623-1996 (phone)
(505) 625-2620 (fax)

COMPANY: _____

APPROVED BY: _____

TITLE: _____

BY: _____

DATE: _____

DATE: _____

SS#/TAX ID _____