

WORKING INTEREST OWNERSHIP
White Owl No. 1 Proposed Well
Section 2: NW/4 NW/4, T-20-S, R-38-E
Lea County, New Mexico

*Received
5/12/04*

JTD Resources, LLC, et al	74.218300%
Parties with known addresses being force pooled	25.507812%
Parties with no known addresses being force pooled	<u>0.273437%</u>
Total Ownership:	99.99955%

LEONARD RESOURCE INVESTMENT CORPORATION
P. O. BOX 3422
MIDLAND, TEXAS 79702

OIL AND GAS INVESTMENTS

(915) 682-3712 OFFICE
(915) 682-8652 FAX

August, 23 2002

Certified Mail # 70010320000394553716

Coates Energy Trust
Energy Plaza II, Suite 510
8610 N. New Braunfels
San Antonio, Texas 78217

Attention: Sherrie Green
Land Manager

Re: Capataz Operating, Inc.'s
White Owl No. 1 Well
T-20-S, R-38-E
Section 2: NW/4
Lea County, New Mexico

Gentlemen:

Reference is made to NMOCD Order No. R-11684 pooling the SE/4 NW/4 of Section 2, T-20-S, R-38-E, Lea County, New Mexico from the surface to the base of the Abo formation.

As we indicated in our letter to you of May 16, 2002, Leonard Resource has re-evaluated the location for the captioned well, taking into consideration the oil bearing zones in the Abo, Drinkard and Tubb formations that would be spaced on 40 acres and a gas bearing zone in the Blinebry that would be spaced on 160 acres. We have again revised the location. We now propose to drill the well in the NW/4 NW/4 of said Section 2, 1200 feet from the north line and 330 feet from the west line, and dedicate said NW/4 NW/4 for oil and the entire NW/4 of Section 2 for gas. The prior pooling order has expired.

Enclosed for your review and consideration are two (2) copies of Capataz Operating, Inc.'s current AFE for the White Owl No. 1 reflecting revised estimated costs to drill and complete the 7,800 foot Abo test: \$300,978.00 to drill and evaluate the well to casing point and \$358,775.00 to complete the well, for a total completed well cost of \$659,753.00. Coates Energy Trust's 25% share of said revised, estimated total completed well cost is \$164,938.25.

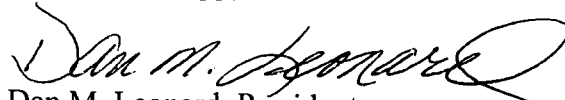
In the event Coates elects to participate in the well and pay its proportionate share of such estimated well costs, please return one executed copy of the AFE and your check made payable to Capataz Operating, Inc. in the amount of \$75,244.50, representing your 25% share of the estimated cost to casing point, to us at the address on our letterhead within thirty (30) days of receipt of this letter.

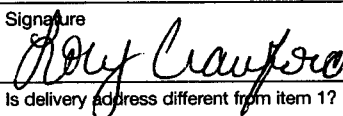
If Coates elects not to participate and prefers to lease, Leonard Resource continues to be receptive to a lease covering Coates' undivided 25% mineral interest in Lots 3, 4 and the S/2 NW/4 of Section 2, provided we could use a form of lease similar to the Apache lease form we submitted to you under cover letter of September 29, 2001. If such lease form is agreeable, we would still be willing to pay \$175.00 per acre bonus consideration for a quarter royalty, two (2) year term lease.

A prompt response would be appreciated.

Very truly yours,

LEONARD RESOURCE INVESTMENT CORPORATION


Dan M. Leonard, President

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY			
<ul style="list-style-type: none"> ■ 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. 	<table border="1"> <tr> <td data-bbox="568 1398 893 1460">A. Received by (Please Print Clearly)</td> <td data-bbox="893 1398 1063 1460">B. Date of Delivery AUG 26 2004</td> </tr> </table>		A. Received by (Please Print Clearly)	B. Date of Delivery AUG 26 2004
A. Received by (Please Print Clearly)	B. Date of Delivery AUG 26 2004			
<p>1. Article Addressed to:</p> <p>Coates Energy Trust Energy Plaza II, Suite 510 8610 N. New Braunfels San Antonio, TX 78217</p> <p>ATTN: Sherri Green Land Manager</p>	<p>C. Signature X </p> <p><input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>			
<p>2. Article Number (Copy from service label) 7001 0320 0003 9455 3716</p>	<p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>			