



# TIERRA OIL COMPANY, LLC

W. Chris Barnhill  
President

P.O. Box 700968  
San Antonio, Texas 78270-0968

Phone:  
(830) 438-7196  
Fax:  
(830) 438-7198

*Call around  
5:00 pm - 1:00 pm*

*Intrepid Mining Co.  
800-451-2888*

July 28, 2006

*ASIC for Virginia  
she wants the fee*

Virginia Franks  
Holly Lawson  
1011 Eddy  
Carlsbad, NM 88220  
*515-885-1112*

Re: Oil and Gas Lease, Township 22 South, Range 26 East, N.M.P.M.  
Sec 4: Blk H, First Addition, Happy Valley Farms Subdivision

Dear Ms. Franks and Ms. Lawson:

Enclosed is an Oil and Gas Lease for your mineral rights on the above referenced acreage in Eddy County, New Mexico. The lease covers your share of 4.243 gross acres, which is a total of 2.1215 net mineral acres each. The terms and conditions are as follows:

- Lease Term:** 5 year paid-up lease
- Lease Royalty:** 3/20 = 15%
- Bonus:** \$50.00 per net acre = \$106.08 each for your 2.1215 net acres.

I have enclosed two checks in the amount of \$106.08 with the Lease. Please sign the Lease at the bottom before a notary and have your signatures notarized on the back where indicated. Return the fully executed lease to me in the envelope provided.

Please provide me a copy of the Last Will and Testament of your father, Curtis Lawson.

Thank you for your time and consideration in this matter.

*8/11/06 - sent <sup>in mail</sup> to correct address.*

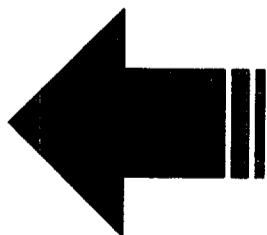
Sincerely,

*W. Chris Barnhill*  
W. Chris Barnhill

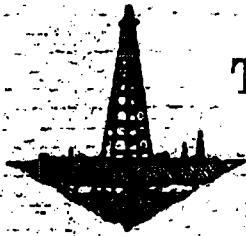
*9/18/06 - left message for return call*

*9/23/06 - tried to leave message*

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13814 Exhibit No. 3  
Submitted by:  
**CHI OPERATING INC.**  
Hearing Date: November 9, 2006



Landscape Feed  
New Form Follows...



# TIERRA OIL COMPANY, LLC

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President

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Phone:  
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July 26, 2006

Jerry Cox  
1603 Riverside Drive  
Carlsbad, NM 88220  
505-887-8835

Re: Oil and Gas Lease, Township 22 South, Range 26 East, N.M.P.M.  
Sec 4: Blk G, First Addition, Happy Valley Farms Subdivision

Dear Mr. Cox:

Pursuant to discussions with you sister, Jan, enclosed is an Oil and Gas Lease for your mineral rights on the above referenced acreage in Eddy County, New Mexico. The lease covers your share of 12.5 gross acres, which is 1.04 net mineral acres. The terms and conditions are as follows:

**Lease Term:** 5 year paid-up lease

**Lease Royalty:** 3/20 = 15%

**Bonus:** \$50.00-per net acre = \$52.00 for your 1.04 net acres.

I have enclosed a check in the amount of \$52.00 with the Lease. Please sign the Lease at the bottom before a notary and have your signature notarized on the back where indicated. Return the fully executed lease to me in the envelope provided.

Thank you for your time and consideration in the matter.

Sincerely,

*9/22/06 - left message of Jerry Cox to call. (work at Carlsbad High School - teacher's office)*

W. Chris Barnhill  
President

*9/27/06 - spoke with his sister, Jan Michaels, but she has no contact w/ him.*

DETAIL AFE REPORT

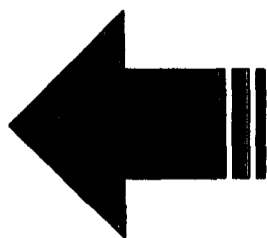
WC 4 #4  
As of 08/02/2006

AFE: 1	SPUD DATE:	****ACTIVE (OPEN)****
PROPERTY: 200110-7	CASING DATE:	STATE: NM
PROSPECT: WC 4 #4	COMP DATE:	LOCATION: SEC. 4: T-22-S, R-26-E
OBJECTIVE:	DEPTH: 17,500	
OPERATOR: CHI OPERATING INC.	REMARKS:	

DESCRIPTION	PRIMARY BUDGET	%UNDER	%OVER	COMMENTS
1-02 DAMAGES	10,000	100.00		
1-03 ROADS & LOCATIONS	45,000	100.00		
1-04 RIG MOVE	40,000	100.00		
1-06 DRILLING - DAYWORK	682,500	100.00		
1-07 CEMENT - SURFACE	15,000	100.00		
1-08 CEMENT - INTERMEDIATE	25,000	100.00		
1-10 DRILLSTEM TESTING	6,500	100.00		
1-11 DRILLING FLUIDS	50,000	100.00		
1-12 WATER	50,000	100.00		
1-13 BITS & REAMERS	44,000	100.00		
1-15 ENGINEERING	39,350	100.00		
1-16 MUD LOGGING	28,600	100.00		
1-17 OPENHOLE LOGGING	35,000	100.00		
1-18 EQUIPMENT RENTAL	30,000	100.00		
1-19 TRUCKING	5,000	100.00		
1-20 LABOR	8,000	100.00		
1-21 LEGAL	8,000	100.00		
1-22 OVERHEAD & EXPENSES	7,692	100.00		
1-23 INSURANCE & BONDS	2,500	100.00		
1-24 CASING CREWS	8,500	100.00		
1-25 PLUGGING & ABANDONING	18,000	100.00		
1-26 MISCELLANEOUS INTANGIBLES	87,930	100.00		
1-28 FUEL	97,500	100.00		
<b>INTANGIBLE DRILLING</b>	<b>1,344,072</b>			
2-01 CASING - SURFACE	17,250	100.00		
2-02 CASING - INTERMEDIATE	53,212	100.00		
2-03 WELLHEAD EQUIPMENT	6,500	100.00		
2-16 MISCELLANEOUS TANGIBLES	5,387	100.00		
<b>TANGIBLE DRILLING</b>	<b>82,349</b>			
3-01 ROW & PERMITS	5,000	100.00		
3-02 ANCHORS	1,200	100.00		
3-03 LOCATIONS	3,000	100.00		
3-05 COMPLETION UNIT	35,000	100.00		
3-06 LOGGING & PERFORATE	15,000	100.00		
3-07 SLICKLINE/WIRELINE	3,500	100.00		
3-08 CEMENT - PRODUCTIONS/PLUG BACK	30,000	100.00		
3-09 ACIDIZING	10,000	100.00		
3-10 FRACTURING	150,000	100.00		
3-11 DAMAGES	10,000	100.00		
3-12 WATER	7,000	100.00		
3-15 ENGINEERING	10,000	100.00		

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13814 Exhibit No. 4  
Submitted by:  
**CHI OPERATING INC.**  
Hearing Date: November 9, 2006

This is a



**Landscape Feed  
New Form Follows...**

DETAIL AFE REPORT

WC 4 #4  
As of 08/02/2006

AFE: 1  
PROPERTY: 200110-7

DESCRIPTION	PRIMARY BUDGET	%UNDER	%OVER	COMMENTS
3-18 EQUIPMENT RENTAL	20,000	100.00		
3-19 TRUCKING	2,500	100.00		
3-20 LABOR	75,000	100.00		
3-21 LEGAL	8,000	100.00		
3-22 OVERHEAD & EXPENSES	1,972	100.00		
3-24 CASING CREWS	8,500	100.00		
3-26 MISCELLANEOUS INTANGIBLES	27,347	100.00		
INTANGIBLE COMPLETION	423,019			
4-02 CASING - PRODUCTION/EQUIPMENT	181,350	100.00		
4-03 WELLHEAD	15,000	100.00		
4-04 TUBING	57,915	100.00		
4-09 TANKS - PRODUCTION & WATER	7,500	100.00		
4-10 VALVES & FITTINGS	20,000	100.00		
4-11 FLOWLINES	40,000	100.00		
4-12 DOWNHOLE TOOLS	5,000	100.00		
4-14 TOTAL FLOW/METERING	4,200	100.00		
4-15 METER RUN	3,500	100.00		
4-16 MISCELLANEOUS TANGIBLES	25,163	100.00		
4-17 STACK PAC	25,000	100.00		
TANGIBLE COMPLETION	384,628			
TOTAL WELL COST	2,234,068			