

325-1191

EMC
(505) 325-1563
w/

RICHARDSON OPERATING COMPANY (SS 334-6157)

Assistant
334-6157

H (505) 334-6429

1700 Lincoln, Suite 1700
Denver, Colorado 80203 (303) 830-8000
FAX (303) 830-8009

February 12, 1996

(Garnie & Zach Martin)

formerly - Grace Trainer .4682
- Walter Saye .1951
- Cm Taylor .1951
0.8584

515 Inc.
515 E. Main Street
Farmington, NM 87401

Re: Request for Oil and Gas Lease
E/2-Section 15-T29N-R13W
San Juan County, New Mexico

Carol Watson daughter
(505) 325-1191 Ramoda

Gentlemen:

A recent check of the county records indicates 515 Inc. owns mineral rights in the following described lands that are not currently subject to an oil and gas lease:

NE 1/4

Township 29 North, Range 13 West, NMPM
Section 15: Certain tracts of land within the E/2
Surface to base of Pictured Cliffs formation
Containing 0.8584 acres, more or less

left 3 message
no call backs

Richardson Production Company offers to take an oil and gas lease that provides for a three year primary term with bonus consideration based on \$50.00 per net acre for the 0.8584 net mineral acres. The lease would also provide for a 15% royalty in the case of production. Attached is a copy of our proposed oil and gas lease form.

If you accept the above terms and conditions, please so indicate by signing below and returning one copy of this letter to me at your earliest convenience.

Thank you for your consideration in this matter. If you have any questions, do not hesitate to call me collect at (303) 830-8000.

Sincerely,

RICHARDSON PRODUCTION COMPANY

Cathleen Colby

Cathleen Colby
Land Manager

AGREED TO and ACCEPTED this _____ day of _____, 1996.

515 INC.

By: _____ Title: _____

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11570 Exhibit No.
Submitted By:
Richardson Oil Company
Hearing Date: July 11, 1996

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RICHARDSON OPERATING COMPANY

1700 Lincoln, Suite 1700
Denver, Colorado 80203 (303) 830-8000
FAX (303) 830-8009

March 1, 1996

515 Inc.
515 E. Main Street
Farmington, NM 87401

Certified Mail P 296 557 438

Re: West Gallegos Prospect
ROPCO 15-1 GW (A) PC, (B) FC Well
NE/4-Section 15-T29N-R13W
San Juan County, New Mexico

Dear Mr. Martin:

Richardson Operating Company proposes the drilling of a well to a depth sufficient to adequately test the Pictured Cliffs and Fruitland Coal formations, anticipated total depth being 1,500 feet. The well will be located in the SE/4NE/4 of Section 15, either at a standard or exception location. The NE/4 of Section 15, Township 29 North, Range 13 West, NMPM will be dedicated as the proration unit for the Pictured Cliffs formation of the well. The E/2 of said Section 15 will be dedicated as the proration unit for the Fruitland Coal formation.

Our AFE dated February 27, 1996 is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling, testing and completion, either as a producing well or plugging and abandonment in the event of a dry hole, please return an executed copy of the AFE to the undersigned by March 21, 1996.

Upon receipt of your executed AFE, or by prior written request, we will forward our Joint Operating Agreement for your review and execution.

In the event you do not wish to participate, Richardson respectfully requests you elect one of the following options as to your interest insofar as it covers from the surface of the earth to the base of the Pictured Cliffs formation. Your Dakota rights would not be affected by any of the following elections:

515 Inc.
March 1, 1996
Page 2

1. Enter into an oil and gas lease that provides for a three year primary term with bonus consideration based on \$50.00 per net acre and a 15% royalty in the case of production, surface to base of Pictured Cliffs formation
2. Sell all of your mineral interest for \$200.00 per net acre, surface to base of Pictured Cliffs formation.
3. Enter into a farmout agreement covering your interest, giving Richardson 180 days in which to drill a well, reserving a proportionate nonconvertible overriding royalty interest equal to the difference between existing burdens and 15%, surface to base of Pictured Cliffs formation.

Your response is respectfully requested by 5 PM MST, March 21, 1996.

Should you have any questions, please do not hesitate to call.

RICHARDSON OPERATING COMPANY


Cathleen Colby
Land Manager

P 296 557 438



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to SIS, Inc.	
Street and No. SIS E. Main Street	
P.O., State and ZIP Code Farmington, Nm 87401	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

3800, June 1991

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee)

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

**SIS, Inc.
SIS E. Main Street
Farmington, Nm 87401**

4a. Article Number

P 296 557 438

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery

3/4/96

5. Signature (Addressee)

Pat L. Davis

6. Signature (Agent)

[Signature]

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

**RICHARDSON OPERATING COMPANY
AUTHORITY FOR EXPEDITURES**

Well Name: ROPCO 15-1 (A) PC, (B) FC SECTION 15 PC NE/4, FC E/2
 Location: T29N R13W
 Proposed Depth: 1400' Fruitland Coal
 1500' Pictured Cliffs

Date: 2/27/96
 Objective Formation: Commingled Pictured Cliffs
 and Fruitland Coal

I. Drilling Costs (Included Run Casing)

Survey and Permits -----
 Title Opinion & Land Costs-----
 Damages-----
 * Drilling (incl. water and mud) 1500' @ 12.00/ft.---
 BOP Rental-----
 Dirt Work-----
 Pit Lining-----
 Surface Casing 200' @ 6.00/ft.-----
 Casing Head-----
 Cement Surface-----
 Power Tongs-----
 Casing 1500' @ 5.00/ft.-----
 Trucking-----
 Logs-----
 Engineering-----
 Cement Longstring-----
 Total Cost to Run Casing-----
 5.9375% Farmington, NM Tax
 10% Contingency-----
 Grand Total to Run Casing-----

	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
Survey and Permits		1,500		750	750
Title Opinion & Land Costs		7,500		3,750	3,750
Damages		1,500		750	750
* Drilling (incl. water and mud) 1500' @ 12.00/ft.		18,000		8,400	9,600
BOP Rental		750		375	375
Dirt Work		3,000		1,500	1,500
Pit Lining		1,500		750	750
Surface Casing 200' @ 6.00/ft.	1,200			600	600
Casing Head	750			375	375
Cement Surface		1,500		750	750
Power Tongs		1,000		500	500
Casing 1500' @ 5.00/ft.	7,500			3,500	4,000
Trucking		2,000		1,000	1,000
Logs		4,000		2,000	2,000
Engineering		2,500		1,250	1,250
Cement Longstring		4,000		1,867	2,133
Total Cost to Run Casing	9,450	48,750	58,200	28,117	30,083
5.9375% Farmington, NM Tax			3,456	1,669	1,786
10% Contingency			6,166	2,979	3,187
Grand Total to Run Casing			67,821	32,765	35,056
II. Completion Costs					
Rig Anchors		600		300	300
Logs		3,500		1,750	1,750
Perf		4,000		2,000	2,000
Wellhead & Fittings	5,000			2,500	2,500
Tubing 1500' @ 1.50/ft.	2,250			1,050	1,200
Stimulation		48,000		24,000	24,000
Tool Rental		2,000		1,000	1,000
Trucking		3,000		1,500	1,500
Battery Installation		4,000		2,000	2,000
Restore Location		1,500		750	750
Engineering		6,500		3,250	3,250
Treater	5,000			2,500	2,500
Flowline	5,000			2,500	2,500
Tank & Fittings	5,000			2,500	2,500
Gravel		2,000		1,000	1,000
Workover Rig		15,000		7,500	7,500
Completion Fluids		2,000		1,000	1,000
El Paso Hookup		13,000		6,500	6,500
Division Order		2,500		1,250	1,250
Frac Tank Rental		1,000		500	500
Flowback		2,000		1,000	1,000
Fence Location	2,000			1,000	1,000
Total Completion Costs	24,250	110,600	134,850	67,350	67,500
5.9375% Farmington, NM Tax			8,007	3,999	4,008
10% Contingency			14,286	7,135	7,151
Drilling Costs			67,821	32,765	35,056
Grand Total Well Costs			224,964	111,249	113,715

WI Share of Costs

FRUITLAND COAL

0.2683% 515 INC.

DATE _____

APPROVED _____

\$298

99.7318% RICHARDSON OPERATING CO. ET AL

DATE _____

APPROVED _____

\$110,950

PICTURED CLIFFS

0.5365% 515 INC.

DATE _____

APPROVED _____

\$610

99.4635% RICHARDSON OPERATING CO. ET AL

DATE _____

APPROVED _____

\$113,105

Total \$224,964