



RICHARDSON OPERATING COMPANY

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

February 27, 1996

Mr. and Mrs. Wayne B. Lane
Mrs. Fern Knight Lane
P.O. Box 822
Farmington, NM 87499-0822

Certified Mail P 296 557 446

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. and Mrs. Lane:

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 19, 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:

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

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Mr. and Mrs. Wayne B. Lane
Mrs. Fern Knight Lane
February 27, 1996
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1. Enter into a no occupancy 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 19, 1996.

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

RICHARDSON OPERATING COMPANY

Cathleen Colby

Cathleen Colby
Land Manager

P 296 557 446



Receipt for Certified Mail

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

Sent to <i>Mr. & Mrs. Wayne B. Lane</i>	
Street and No. <i>Mrs. Fern Knight Lane</i>	
P.O. Box <i>822</i>	
P.O. State and ZIP Code <i>Farmington, Nm 87499</i>	
Postage	\$ <i>.55</i>
Certified Fee	<i>1.10</i>
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	<i>1.10</i>
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$ <i>2.75</i>
Postmark or Date	

PS Form 3800, June 1991

Is your RETURN ADDRESS completed on the reverse side?

<p>5. Signature (Addressee)</p> <p><i>FERN KNE</i></p>	<p>4b. Service Type</p> <p><input type="checkbox"/> Registered</p> <p><input checked="" type="checkbox"/> Certified</p> <p><input type="checkbox"/> Express</p> <p>7. Date of Delivery <i>MAR 11 1991</i></p>
<p>6. Signature (Agent)</p> <p><i>Fern Lane</i></p>	<p>8. Addressee's Address (Optional) requested and fee is paid</p>
<p>3. Article Addressed to:</p> <p><i>Mrs. Fern Knight Lane</i> <i>Mr. and Mrs. Wayne B. Lane</i> <i>P.O. Box 822</i> <i>Farmington, NM 87499</i></p>	<p>4a. Article Number</p> <p><i>P 296 557 446</i></p>

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.

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

Date: 2/27/96

Proposed Depth: 1400' Fruitland Coal
1500' Pictured Cliffs

Objective Formation: Commingled Pictured Cliffs
and Fruitland Coal

I. Drilling Costs (Included 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

0.0914% FERN KNIGHT LANE	DATE _____	APPROVED _____	\$102
WAYNE B. LANE	DATE _____		
MARTHA C. LANE	DATE _____		
99.9086% RICHARDSON OPERATING CO. ET AL	DATE _____	APPROVED _____	\$111,147

PICTURED CLIFFS

0.1829% FERN KNIGHT LANE	DATE _____	APPROVED _____	\$206
WAYNE B. LANE	DATE _____	APPROVED _____	\$0
MARTHA C. LANE	DATE _____	APPROVED _____	\$0
99.8171% RICHARDSON OPERATING CO. ET AL	DATE _____	APPROVED _____	\$113,507



RICHARDSON OPERATING COMPANY

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

February 20, 1996

Mrs. Fern Knight Lane
Mr. and Mrs. Wayne B. Lane
P.O. Box 822
Farmington, NM 87499

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

Dear Mr. and Mrs. Lane:

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

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 0.2926 acres, more or less

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 your 0.2926 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.

Wayne B. Lane

Fern Knight Lane

Martha C. Lane