

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 - Facsimile

November 18, 1996

Ms. Kathy Conaway
Andrews Royalty, Inc.
Post Office Box 7808
Dallas, Texas 75209-0808

Re: SW/4SE/4 of Section 29
T-22-S, R-26-E, N.M.P.M.
Eddy County, New Mexico
Happy Valley Area

Dear Ms. Conaway:

Louis Dreyfus Natural Gas Corp. hereby proposes the drilling of the Happy Valley 29, Well No. 34, in the SW/4SE/4 of Section 29, T-22-S, R-26-E, Eddy County, New Mexico. The well will be drilled to a depth of approximately 4,500 feet to test the Delaware formation.

You have previously been extended an opportunity to lease your mineral rights and, having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an Authority for Expenditure and Joint Operating Agreement, naming Louis Dreyfus Natural Gas Corp. as operator, and payment of your proportionate share of the drilling cost.

We would appreciate your notifying us as to your election on or before December 9, 1996, as we anticipate commencing the well in the latter part of December 1996. Should you respond affirmatively, Louis Dreyfus Natural Gas Corp. will provide a Joint Operating Agreement along with an invoice for your drilling cost.

Thank you for your attention to this matter.

Sincerely,



Blaine Hess

Enc: AFE dated September 30, 1996

cc: Mr. Russell R. Waters, Louis Dreyfus Natural Gas Corp.

LOUIS DREYFUS NATURAL GAS CORP

Depth Revised 9/16/96

ESTIMATED WELL COST (100%)

LEASE: Happy Valley 29

WELL NO: 34

AFE NO: 1187

LOCATION: SW-SE SEC 28-T22S-R26E

PROP. NO:

FIELD: Happy Valley (Delaware) COUNTY: EDDY STATE: NEW MEXICO DISTRICT: WEST TEXAS

PURPOSE: To drill and equip an ⁹⁵⁰⁰ Delaware Test

CODE	INTANGIBLE DRILLING COST	ESTIMATED COSTS		
		Dry Hole	Completion	Total
181-102	Location & Roads, Including Damages	\$10,000		\$10,000
181-110	Moving Rig			\$0
181-111	Drilling: 4,500 ft. @ \$13.55	\$61,500		\$61,500
181-112	Day Work: 1 days @ \$5,232.00	\$5,232		\$5,232
181-113	Conductor, Rat & Mouse Holes	\$3,200		\$3,200
181-114	Drilling Bits	\$500		\$500
181-115	Drilling Water & Fuel, Including Lines	\$8,000	\$3,000	\$8,000
181-116	Drilling Mud, Additives, Mud Oil, Etc.	\$8,000		\$8,000
181-132	Drilling and Completion Insurance	\$350		\$350
181-133	Environmental Protection			\$0
181-180	Safety			\$0
181-125	Open Hole Logging	\$13,000		\$13,000
181-182	Mud Logging 7 days @ \$400.00	\$2,800		\$2,800
181-183	Open Hole Testing/Coring Rotary SVWC's	\$5,000		\$5,000
181-121	Hauling and Trucking	\$1,000	\$1,000	\$2,000
181-122	Welding	\$1,000	\$1,000	\$2,000
181-123	Rental Equipment & Fishing Tools	\$3,000	\$5,000	\$8,000
181-124	Special Services & Misc. Items	\$2,000	\$5,000	\$7,000
181-180	Comp. Rig: 8 days @ \$2,000		\$12,000	\$12,000
181-184	Cased Hole Logging, Perforating, & Wireline		\$5,000	\$5,000
181-185	Acidizing, Fracturing, Chemicals		\$30,000	\$30,000
181-186	CO2/Nitrogen			\$0
181-188	Non-Retrieveable Equipment			\$0
181-125	Hourabout Labor & Services		\$2,000	\$2,000
181-127	Casing Crews & Service			\$0
181-181	Free Pt. Liner, Water, & Disposal		\$5,000	\$5,000
181-128	Surface Casing Cementing	\$4,000		\$4,000
181-129	Intermediate Casing Cementing	\$7,000		\$7,000
181-130	Production Casing Cementing		\$13,000	\$13,000
181-131	Liner Cementing			\$0
181-172	Cementing Hardware	\$750	\$500	\$1,250
181-173	Other Cementing Related Services			\$0
181-180	Administrative Overhead	\$2,100	\$1,500	\$3,600
181-181	Supervision, Including Consulting	\$4,500	\$2,500	\$7,000
181-103	Legal & Land Services	\$5,000	\$1,000	\$6,000
TOTAL INTANGIBLE WELL COST		\$143,932	\$87,500	\$231,432
YANGIBLE WELL COST				
	Casing Amt. Size Cost/ft			
182-235	Surface 360 ft. 1 3/8" \$18.00	\$6,500		\$6,500
182-236	Intermedates 1,550 ft. 6 5/8" \$8.00	\$13,500		\$13,500
182-237	Production 3,400 ft. 8 1/2" \$5.45		\$18,500	\$18,500
182-238	Liner ft. 3 1/2" \$0			\$0
182-240	Tubing 3,350 ft. 2-7/8" \$3.10		\$10,400	\$10,400
182-250	Wellhead Equipment	\$3,000	\$3,000	\$6,000
182-250	Retrieveable Equipment		\$2,000	\$2,000
182-211	Flowlines & Connections		\$10,000	\$10,000
182-218	Storage Tanks & Separation Equipment		\$5,000	\$5,000
182-220	Pumping Unit		\$23,000	\$23,000
182-225	Pump Engine		\$5,000	\$5,000
182-245	sucker Rods, Bottom Hole Pump, & Other		\$5,000	\$5,000
TOTAL YANGIBLE WELL COSTS		\$23,000	\$93,000	\$116,000
TOTAL WELL COST		\$166,932	\$180,500	\$347,432

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Kent Sams

Date: 09/16/96

LDNGC APPROVAL

NON-OPERATOR APPROVAL

Approved By:


R. K. Irani, Sr. Vice-President

Approved By: _____

Title: _____

Date:

9/30/96

Date: _____

ILLEGIBLE

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 next to the article number.

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:
 Ms. Kathy Conaway
 Andrews Royalty, Inc.
 P.O. Box 7808
 Dallas, TX 75209-0808

4a. Article Number
 P 192 883 196

- 4b. Service Type
- Registered Insured
 - Certified COD
 - Express Mail Return Receipt for Merchandise

7. Date of Delivery
 11/25/96

5. Signature (Addressee)

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

6. Signature (Agent)

Kathy Conaway

PS Form 3811, October 1990

U.S. GPO: 1990-273-861

DOMESTIC RETURN RECEIPT

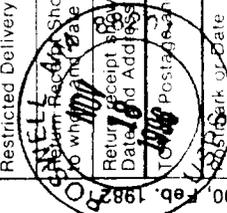
P 192 883 196

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	Ms. Kathy Conaway Andrews Royalty, Inc.
Street and No.	P.O. Box 7808
P.O. State and ZIP Code	Dallas, TX 75209-0808
Postage	\$32
Certified Fee	110
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing Date and Place Delivered	11/25/96
Return Receipt Showing to whom, Date and Address of Delivery	
Postage and Fees	\$202



* U.S.G.P.O. 1984-446-014

PS Form 3800, Feb. 1987