



Cross Timbers Oil Company

August 9, 2000

CERTIFIED MAIL

Mathias Family Trust Dated 9-9-81
Eugene P. Mathias and Barbara J.
Mathias, Trustees
452 Maidstone Lane
Thousand Oaks, CA 91320

RE: New Drill
Federal F #1E Well
E/2 Unit
SE/4 Section 16-27N-10W
San Juan County, New Mexico

Dear Working Interest Owner:

Cross Timbers Oil Company (CTOC) hereby proposes to drill the above captioned well to a depth of 6,750' to the Dakota Formation. Our proposed location is 1125' FSL and 1,165' FEL of the Section. Our records indicate that Mathias Family Trust dated 9-9-81 has a working interest of .6892%. Enclosed please find a copy of our AFE which provides for a dry hole cost of \$200,300 and a completed well cost of \$413,100.

Enclosed also please find a Joint Operating Agreement for this E2 Unit that covers the Dakota Formation. Please review the Agreement and should you elect to participate, forward a signed signature page along with an executed AFE to the undersigned. CTOC is prepared to drill this well as soon as possible, so your immediate response would be greatly appreciated. Should you have any questions, please feel free to contact me at (817) 885-2454.

Sincerely,
CROSS TIMBERS OIL COMPANY


George A. Cox, CPL
Landman

Enclosures

2