

COATES ENERGY TRUST

ENERGY PLAZA II, SUITE 510

8610 N. NEW BRAUNFELS

SAN ANTONIO, TEXAS 78217

(210) 820-0113
FAX (210) 820-0160

P. O. BOX 171717

July 17, 2000

VIA FACSIMILE (915) 682-8652 & U.S. MAIL

Leonard Resource Investment Corporation
P. O. Box 3422
Midland, Texas 79702

Attention: Mr. Dan M. Leonard, President

Re: Oil & Gas Lease Proposal
Township 20 South, Range 38 East
Section 2: Lots 3, 4 and S/2 NW/4
Lea County, New Mexico

Gentlemen:

We are in receipt of your letter dated June 26, 2000, in which you referred to lease negotiations concerning the referenced property between Leonard Resource Investment Corporation, through Mr. Glen Farmer, ("Leonard") and Coates Energy Trust, Jenny Roberts Schimpff Trust, Catherine G. Roberts Trust, Barry Coates Roberts Trust, Lisa Stieren Hardeman Trust, George L. Stieren Trust, Wendy Stieren Wirth Trust, Kelly Stieren Daniell Trust and Amy E. Stieren Trust (collectively, "Coates").

We would like to make a correction with regard to the second sentence of the second paragraph of your letter. Leonard did indeed accept the basic terms set forth in the Coates counterproposal of January 13, 2000. For your convenience, we are enclosing a copy of the facsimile we received from Mr. Glen Farmer dated January 14, 2000, in which Leonard agreed to basic terms of \$250/net acre, 2 year paid-up lease, 25% BPO increasing to a 27-1/2% APO (well by well basis), surface down to 7,900'. Upon receipt of Mr. Farmer's facsimile, we then forwarded a copy of our lease form for review by letter of January 14, 2000 (copy of letter attached). Coates did not hear anything further in response to our January 14th letter from Mr. Farmer or Leonard until we received your letter of June 26, 2000.

Please be advised that Coates is not interested in leasing under the basic terms proposed in your letter of June 26th in light of Leonard's earlier acceptance of the basic terms set out in Coates' letter of January 13. Also, it would not be in Coates' best interest to lease under the printed lease form you enclosed in your letter, especially since the Coates lease form is accepted by other

NMOCD Case No. 12730

Coates Trust Exhibit No. 16

9/11/00 No response
FILE

Leonard Resource Investment Corporation

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companies. We would like to recommend that you advise what provisions or lease language Leonard finds unacceptable in the Coates lease form. Coates will take into consideration any requested changes to its lease form which are reasonable.

Additionally, Leonard offered in its letter to submit an AFE to Coates for its consideration so that it may participate in the drilling of the proposed test well. In order for Coates to take into consideration participation in any such well, please furnish Coates geological/geophysical data which supports the drilling of the proposed test well and your proposed form of Joint Operating Agreement.

We will appreciate a response to this letter by July 31, 2000. However, this is not, and is not intended to be, a binding agreement between the parties and none of the parties will have any liability to the other in the event a binding oil and gas lease or any other agreement is not executed for any reason.

Yours very truly,

COATES ENERGY TRUST; JENNY ROBERTS
SCHIMPF TRUST; CATHERINE G. ROBERTS
TRUST; BARRY COATES ROBERTS TRUST;
LISA STIEREN HARDEMAN TRUST; GEORGE L.
STIEREN TRUST; WENDY STIEREN WIRTH
TRUST; KELLY STIEREN DANIELL TRUST AND
AMY E. STIEREN TRUST



Sherrie Green, CPL
Land Manager

Enclosures

MODE = MEMORY TRANSMISSION START=JUL-17 13:41 END=JUL-17 13:48

FILE NO. = 237

STN NO.	COMM.	ONE-TOUCH/ ABBR. NO.	STATION NAME/EMAIL ADDRESS/TELEPHONE NO.	PAGES	DURATION
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-COATES ENERGY TRUST -

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COATES ENERGY TRUST
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FACSIMILE TRANSMITTAL COVER SHEET

Name: Mr. Dan M. Leonard, President
Company: Leonard Resource Investment Corporation
City: Midland State: Texas
Date Sent: 7/17/00
From: Sherrie Green

Total Number of Pages (including cover sheet): 7

If you do not receive all pages, please call back as soon as possible - (210) 820-0113.

To transmit to us call - (210) 820-0160.

Hard copy to follow Yes No

Message:

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