

**BILL SELTZER**

214 WEST TEXAS, SUITE 507

MIDLAND, TEXAS 79701

April 11, 1990

Re: T-17-S, R-37-E  
Section 20: NW/4 NE/4  
Lea County, New Mexico  
Osborn #4 E.D. Shipp

TEX/CON Oil & Gas Company 9.15/40th Certified #P 154 192 149  
9401 Southwest Freeway  
Suite 1200  
Houston, Texas 77074-9913  
Attn: Land Dept.

✓ Greg Golliday .875/40th Certified #P 154 192 150  
2420 Lakeview  
Amarillo, Texas 79109

Gentlemen:

According to a check of the County Records of Lea County, New Mexico you are the record owners of Oil and Gas Leases covering the mineral interest set opposite your names in the captioned lands.

I am representing Osborn Heirs Company of San Antonio, Texas, and we propose to drill a 5500' San Andres test at a legal location in the NW/4 NE/4 of Section 20, T-17-S, R-37-E.

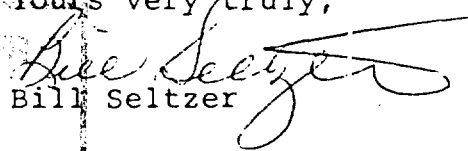
We invite you to join Osborn, as Operator, and pay your proportionate share of the cost of drilling and completing the said test well or farmout your interest to Osborn retaining an overriding royalty interest equal to the difference between the present burdens on the lease and 25% royalty (delivering a 75% NRI) until payout convertible to a 15% working interest.

If you desire to join, please execute the attached AFE and return to the undersigned and I will prepare an Operating Agreement for your execution.

Your immediate attention will be appreciated as we desire to commence operations as soon as possible.

If you have any questions, please call.

Yours very truly,

  
Bill SeltzerEnclosure ~~over~~ 4

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Prospect: East Spencer  
Location: NW/4 NE/4  
County: Lea  
Total Depth: 5500 feet

Lease: E. D. Shipp #4  
Section: Sec 20-T17S-R37E  
State: New Mexico  
Objective: San Andres

INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
Survey	800		800
Roads, Location, and Pits	10,000		10,000
Surface Damages and Restoration	4,000		4,000
Rig Mobilization			
Drilling;Footage: 5,500' @ \$10.00/ft	55,000		55,000
Drilling;Daywork: 3 days @ \$3700/day	3,700	7,400	11,100
Drilling;Turnkey			
Rig Fuel			
Water and Water Hauling	9,000		9,000
Drilling and Completion Fluids	8,000	1,000	9,000
Drilling Bits and Tools			
Cement: Surface Casing	2,000		2,000
Cement: Intermediate Casing			
Cement: Production Casing		5,000	5,000
Equipment Rental	1,500	1,400	2,900
Contract Services	1,000	3,000	4,000
Transportation and Vacuum Trucks	1,000	1,000	2,000
Formation Testing and Coring	2,000		2,000
Open Hole Logging	8,200		8,200
Completion Rig: 5 days @ \$1200/day		5,000	6,000
Cased Hole Logging, Perforating		5,500	5,500
Formation Stimulation		3,000	3,000
Geologist and Mud Logging	4,500		4,500
Engineering and Supervision	1,300	1,200	2,500
Professional Fees:Title Exam,etc	1,000		1,000
Operating Overhead	1,500	1,500	3,000
Insurance	3,500		3,500
Miscellaneous			
Contingencies: 10%	12,000	4,000	16,000
Plug and Abandon	9,000		9,000
TOTAL INTANGIBLE EXPENSES	139,000	40,000	179,000
TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
Csq-Cond:			
Csq-Surf: 400' 8-5/8" @ \$11.75 /ft	4,700		4,700
Csq-Inter:			
Csq-Prod: 5500' 5-1/2" @ \$ 6.00 /ft		33,000	33,000
Float Equipment and hardware	1,000	2,500	3,500
Tubing: 5500' 2-3/8" @ \$ 2.60 /ft		14,300	14,300
Packer and Downhole Equipment			
Rods and Pump		6,200	6,200
Pumping Unit and Prime Mover			
Wellhead Equipment	1,300	2,000	3,300
Treater		5,500	5,500
Separator			
Tanks		8,500	8,500
Flowlines		4,000	4,000
Valves and Fittings		2,000	2,000
Installation of Lease Equipment		5,000	5,000
Miscellaneous Equipment		1,000	1,000
TOTAL TANGIBLE EXPENSES	7,000	84,000	91,000
TOTAL WELL COST	146,000	124,000	270,000

OSBORN HEIRS COMPANY  
APPROVED: *[Signature]*  
TITLE: Vice President-Production  
DATE APPROVED: April 6, 1990

OWNER: \_\_\_\_\_  
APPROVED: \_\_\_\_\_  
INTEREST: \_\_\_\_\_  
DATE APPROVED: \_\_\_\_\_

Amounts herein contained are reasonable estimates only and approval of this authorization shall extend to the actual costs incurred in conducting the operation specified, whether more or less.

P 154 192 150

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985

sGreg Colliday 2420 Lakeview Amarillo, TX 79109	
P.O. State and ZIP Code	
Postage	\$ .25
Certified Fee	.85
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.90
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$ 2.00
Postmark or Date 4/11/90	

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Greg Colliday 2420 Lakeview Amarillo, Texas 79109		4. Article Number P 154 192 150	
		Type of Service:	
		<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
5. Signature — Address X		Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b>	
6. Signature — Agent X		8. Addressee's Address (ONLY if requested and fee paid)	
7. Date of Delivery 4/13/90			