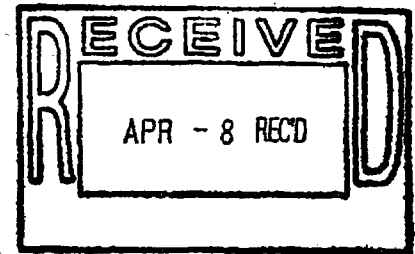


Preston Exploration, L.L.C.

April 6, 2004



Cactus Energy, Inc.  
P.O. Box 2412  
Midland, TX 79702  
Attn: Mr. Richard H. Coats

MEC Petroleum Corp.  
414 W. Texas, Suite 410  
Midland, TX 79702

Saguaro Resources, Inc.  
1409 S. Country Road 1130  
Midland, TX 79706  
Attn: Mr. Thomas R. Smith

✓ Murchison Oil & Gas, Inc.  
1100 Mira Vista Blvd.  
Plano, TX 75093  
Attn: Mr. Mike Daugherty, CPL

E3 Energy, Ltd.  
P.O. Box 205  
Midland, TX 79702  
Mr. Wendell W. Iverson, Jr.

Chase Oil Corporation  
Caza Energy LLC  
Robert C. Chase  
Richard L. Chase  
Gerene Diane Chase Crouch  
P.O. Box 1767  
Artesia, NM 88211

Re: AFE to drill Roughneck Red "29" Com #1  
N/2 of Section 29, T17S, R26E  
Roughneck Red Prospect  
Eddy County, New Mexico

Gentlemen:

Reference is made to that certain letter dated January 13 wherein the referenced well was originally proposed. Because of surface considerations, we are having to drill this well directionally to the same bottom hole location. The surface location is 1200' FLN and 1280' FWL of Section 29. The bottom hole location is 1480' FNL and 1980' FWL of Section 29. The sidetrack portion added approximately \$100,000 to AFE.

Preston will operate the well. If you desire to participate, please execute and forward one (1) of the enclosed AFE's to the undersigned at your earliest convenience.

In the alternative, Preston would like to negotiate a term assignment of your leasehold right in the N/2 of Section 29.

Should you have any questions, please contact me.

Yours very truly,

*Bo Blue*  
Bo Blue  
New Ventures Land Manager

BB:bc

1717 WOODSTEAD COURT •

NMOCD CASE NO. 13236  
MAY 27, 2004  
PRESTON EXPLORATION, LLC  
EXHIBIT NO. 9

PHONE: 281-367-8697

Preston Exploration, L.L.C.

April 6, 2004

7003 1680 0006 9703 9751

Cactus Energy, Inc.  
P.O. Box 2412  
Midland, TX 79702  
Attn: Mr. Richard H. Coats

7003 1680 0006 9703 9768

Saguaro Resources, Inc.  
1409 S. Country Road 1130  
Midland, TX 79706  
Attn: Mr. Thomas R. Smith

7003 1680 0006 9703 9775

E3 Energy, Ltd.  
P.O. Box 205  
Midland, TX 79702  
Mr. Wendell W. Iverson, Jr.

7003 1680 0006 9703 9782

MEC Petroleum Corp.  
414 W. Texas, Suite 410  
Midland, TX 79702

7003 1680 0006 9703 9799

Murchison Oil & Gas, Inc.  
1100 Mira Vista Blvd.  
Plano, TX 75093  
Attn: Mr. Mike Daugherty, CPL

7003 1680 0006 9703 9744

Chase Oil Corporation  
Caza Energy LLC  
Robert C. Chase  
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P.O. Box 1767  
Artesia, NM 88211

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N/2 of Section 29, T17S, R26E  
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Eddy County, New Mexico

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Should you have any questions, please contact me.

Yours very truly,

  
Bo Blue  
New Ventures Land Manager

BB:bc

**Mr. Dale Douglas  
Capstone Oil & Gas Company, L.P.  
P. O. Box 10187  
Midland, TX 79702**

**Mr. Randy Ford  
R.K. Ford & Associates  
415 W. Wall, Suite 1700  
Midland, TX 79701**

# PRESTON EXPLORATION, LLC

## AUTHORIZATION FOR EXPENDITURE

Lease and Well No. <b>Roughneck Red 29 #1</b>		Prospect <b>Roughneck Red</b>	AFE no. <b>04108C</b>
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State <b>Eddy Co., New Mexico</b>	Survey/Township <b>Sec. 29, T17S, R26E</b>	Unit Description/Measured Location <b>1200' FNL &amp; 1280' FWL (Surface Location)</b>	Projected TD <b>8600' TVD</b>
Description of Work <b>Drill and evaluate Morrow formation.</b>		<b>1480' FNL &amp; 1980' FWL (Bottom Hole Location)</b>	
<b>(Drill directionally due to necessary offset of surface location.)</b>			

### INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101		201	
Surveys / Permits / Environmental	102	1,500		
Right - of - Way	103	5,000		
Location / Restoration	104	33,000	204	1,500
Mob & Demob	105	35,000	205	
Transportation / Hauling / Barges	106		206	
Completion Rig	12	Days @ \$2,200.00 P/Day	207	25,400
Drilling Rig - Day Rate	29	Days @ \$8,100.00 P/Day	208	
Cementing - Materials / Services	111	33,000	211	17,000
Drilling Mud / Completion Fluids	112	29,000	212	3,000
Water	113	25,000	213	3,000
Fuel	29	Days @ \$800.00 P/Day	214	
Open Hole - Logging / Coring	115	16,000	215	
Engineering / Supervision	116	24,000	216	10,500
Geological / Petrophysical Services	117			
Casing Services	118	5,500	218	5,200
Supplies	119		219	
Drilling / Completion Overhead	120	7,000	220	7,000
Equipment Rentals (incl. Drill Pipe)	123	75,000	223	9,500
Surface Damages	124	5,000		
Wellhead Equipment	133	13,500		8,500
Stickline / Swabbing			226	
Cased Hole - Logging / Perforating			229	14,000
Stimulation - Materials / Services			230	65,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	65,000	256	500
Treating			258	8,500
Testing / Analysis	160	3,500	260	
Communications	161	2,000	162	
Labor	162	3,500	262	5,000
P & A Expense	197	15,000		
Miscellaneous	199	10,000	299	2,500
Insurance		54,800		
Directional Services	17	Days @ \$ 6,000.00 P/Day		
Contingencies				
Total Intangibles		821,200	299	187,100

### TANGIBLE COSTS

Conductor Pipe	20" Set @ 40'	110	4,500		
Surface Casing	13 3/8" Set @ 400'	121	10,000		
Intermediate Liner	9 5/8" Set @ 1,400'	122	28,000		
Drilling Liner		122			
Production	5 1/2" Set @ 8,900'			226	106,800
Tie-Back				226	
Tubing	2 7/8" @ 8,600			227	60,200
Downhole Equipment				231	7,500
Artificial Lift Equipment				232	
Trees & Other Production Equipment	Pumping Unit, Rods			233	3,000
Tanks				234	18,000
Pipe, Fittings, Valves, etc.				236	5,000
Separators, Treaters, Heaters, etc.				236	25,000
Total Tangibles			42,500		225,500

Dry Hole Cost	883,700
Completed Well Cost	1,281,300

### APPROVALS

Company	Signature	Title	Date
<p>IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.</p>			