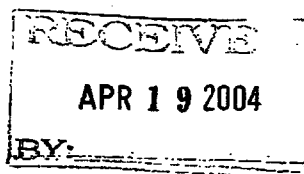




VIA FAX & MAIL

MURCHISON OIL & GAS, INC.
MURCHISON PROPERTIES, INC.



April 14, 2004

Mr. Bo Blue
Preston Exploration, L.L.C.
P.O. Box 7520
The Woodlands, TX. 77387

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

Dear Mr. Blue:


This letter responds to your letter dated April 6, 2004 proposing the referenced well. As we discussed today, Murchison Oil & Gas, Inc. and MEC Petroleum are willing to farmout our acreage in the 320 proration unit subject to the following terms:

- 1) 6 month term
- 2) MOGI and MEC to deliver a 75% NRI or all the revenue interest we own in the N/2 of Sec. 29 in the event our burdens exceed 25%.
- 3) Back in @ Payout for 30% WI
- 4) Right to participate in a second well in the 320 proration unit.
- 5) Mutually acceptable Operating Agreement

If these terms are acceptable, please contact me and we will prepare a farmout agreement.

Very truly yours,

MURCHISON OIL & GAS, INC.


Michael S. Daugherty
Vice President Operations

MSD/cl/RoughneckRed29Com#1-PrestonExpl-FOProp

1100 MIRA VISTA BLVD., PLANO, TX 75093-4698 PHONE (972) 931-0700 FAX (972) 931-0701