



CERTIFIED MAIL
7009 2820 0000 5800 7099

April 20, 2011

Adobe Investment Company
PO Box 1006
Ignacio, CO 81137

Attention: Mr. Chris Ribera

RE Township 32 North, Range 4 West, N.M.P.M.
Section 8 E/2 of Lot 5
Rio Arriba County, New Mexico

Dear Chris:

I am writing this letter in order to outline the options available to Adobe Investment Company as it relates to Energen Resources Corporation's ("Energen") proposal to drill the Carracas 8B 16 well in Section 8, T32N, R4W, Rio Arriba County, New Mexico

Energen's offer to lease your minerals is available. This offer is for a bonus of \$10,336.00, a 20% royalty and a five year term as shown in the lease and information previously provided.

Adobe also could join in the drilling and completion of this well. An Authority for Expenditure (AFE) is enclosed. This AFE shows an estimated total cost of \$1,602,830.15. Please note that this is an estimate only and costs could be more or less dependent upon problems occurring while drilling. A joinder would require an operating agreement. Energen will use a 1982 AAPL Model Form Operating Agreement. Fixed overhead rates would be \$6,500.00 per month for drilling and \$650.00 per month producing.

Your mineral interest would provide you with a 5.219279% working interest in this well. The spacing unit is all of Section 8, T32N-R4W, Rio Arriba County, New Mexico.

The last option would be for Energen to file a Compulsory Pooling request with the New Mexico Oil Conservation Division (NMOCD). Currently orders issued by the NMOCD allow for a 12.5% royalty during a 300% payout, which converts to a working interest thereafter. The NMOCD also would stipulate the overhead rates. Since this involves a timely process, Energen will commence this process right away.

I am hopeful that we can come to an agreement in the near future. If you have any questions, please contact me at 505-324-4133 or by email at dpoage@energen.com.

Yours very truly,


David M. Poage
District Landman

Enclosures

DMP/mt

cc: Carracas 8B 16 well file

Energen Resources Corporation, an Energen Company 2010 Afton Place, Farmington, New Mexico 87401 505.325.6800

ENERGEN EX. NO. 4
NMOCD CASE # 14653
MAY 26, 2011

AUTHORITY FOR EXPENDITURE
ESTIMATED WELL COSTS

ENERGEN RESOURCES

WELL NAME AND NUMBER		PROPERTY NUMBER		DATE	
CARRACAS BB #16		3121111A		4/6/2011	
OPERATOR		FIELD OR AREA		STATE	
Energen Resources		Basin Fruitland Coal		NEW MEXICO	
PROJECT DESCRIPTION AND LOCATION		COUNTY		RANGE	
New Development Well		RIO ARRIBA		4W	
PROPOSED FORMATION		TOWNSHIP		SECTION	
Fruitland Coal		32N		8	
PROPOSED DEPTH		7,655		DEEPEN	
<input checked="" type="checkbox"/> SINGLE <input type="checkbox"/> DUAL <input type="checkbox"/> OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> EXPL. <input checked="" type="checkbox"/> DEV. <input type="checkbox"/> STRAT. <input type="checkbox"/> WORKOVER <input checked="" type="checkbox"/> NEW <input type="checkbox"/> CAPITAL <input type="checkbox"/> EXPENSE <input type="checkbox"/> YES <input type="checkbox"/> NO		DATE TO START		DAYS TO DRILL/COMPLETE	
<input checked="" type="checkbox"/> LAND <input type="checkbox"/> BAY <input type="checkbox"/> MARSH <input type="checkbox"/> GULF		8/1/2011		16 10	
<input type="checkbox"/> SUPPLEMENT					
TANGIBLES - 940		TUBULAR GOODS		DRY HOLE COSTS	
101 Conductor Pipe In Fl \$/Fl 106 Surface Casing 9 5/8 In. 200 Fl. 20.42 \$/Fl. 104 Production In Fl \$/Fl. 104 First Inter 7 In. 3,715 Fl. 15.57 \$/Fl. 104 Second Inter 4 1/2 In. 3,990 Fl. 12.44 \$/Fl. 104 Prod Liner 7/8 In. 3,550 Fl. 3.62 \$/Fl. 105 Rods 2 3/8 In. 3,550 Fl. 4.40 \$/Fl. 107 Tubing 1/4 In. 3,550 Fl. 3.25 \$/Fl.		\$4,084.00 \$57,842.55 \$49,635.60		\$0.00 \$4,084.00 \$0.00 \$57,842.55 \$0.00 \$49,635.60 \$12,851.00 \$15,620.00 \$11,537.50 \$0.00	
EQUIPMENT		201 Wellhead \$8,499.00 102,103 Tbg & Csg Acc./liner hgr. Prod Pkr \$17,499.00 202,203 Production 205,206 Equipment 204 Other Valves and fittings		\$8,499.00 \$17,499.00 \$138,000.00 \$10,000.00 \$10,000.00	
TOTAL TANGIBLES		\$135,560.15		\$307,948.65	
INTANGIBLES - 950		DRILLING COSTS			
103 Turnkey 103 Footage 103 Day Work 18 Da. 15,800.00 \$/Da. 208 Comp Rig 120 Hr. 300.00 \$/Hr. 208 Service unit 105 Rental Tools, Services, Chokes, Etc. 107,205 Rig Moving Cost 105 Other Directional Services		\$0.00 \$0.00 \$252,800.00 \$38,000.00 \$10,000.00 \$128,000.00 \$5,000.00 \$300,000.00		\$0.00 \$0.00 \$252,800.00 \$38,000.00 \$10,000.00 \$128,000.00 \$5,000.00 \$300,000.00	
CEMENTING (INCL. FLOAT EQUIP. ETC.)		102 Surface 102 Intermediates 201 Production 201 Production Liners 102 Tieback String 201 Squeeze Cement (incl. Ret. & Pkrs) 201 Other		\$10,000.00 \$28,000.00 \$0.00 \$0.00 \$0.00 \$0.00	
FORMATION TREATMENT		207 Acidizing 207 Fracturing Equipment & Materials 204 Frac. Fluid Gas 203,205 Tank Rental & Hauling		\$5,000.00 \$0.00 \$0.00 \$0.00	
SPECIAL SERVICES		208 Perforation (set B.P. & Pkrs., Wireline Etc.) 150 Mud Logging Data Units 150 Formation Logging 160,250 Cores, DST's, Well Testing, etc. 150 Drilling Logs (CBL, Tracer, Inspection, W.L.) 203 Packer & Retr. B.P. 208 Whipstocking & Sidetracking 206 Compressors		\$0.00 \$27,000.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00 \$0.00	
DRILLING FLUIDS		104 Mud & Chemicals 108 Water & Brine 108 Other (Gas & Air)		\$56,000.00 \$10,000.00 \$0.00	
MATERIALS & SERVICES OTHER		101 Bits & Reamers 108 Fuel 107,205 Hauling 201 Tubular Inspection 105,203 Testing (Manifolds, BOP, Tbg Etc.) 105,203 Misc. Csg Exp (Run Csg, Sandblasting, Etc.) 203 Tank Rentals 203 Equipment Rental 203 Misc. Exp.		\$22,965.00 \$28,000.00 \$39,600.00 \$0.00 \$0.00 \$18,000.00 \$1,000.00 \$10,000.00 \$64,000.00	
LOCATION, ACCESS, CLEANUP		030 Road/Site/Construction 060,090 Safety/Environmental		\$41,000.00 \$27,000.00	
SUPERVISION & LEGAL ETC.		020		\$20,800.00	
TOTAL INTANGIBLES		\$1,009,165.00		\$1,177,165.00	
Plus 10% Contingency		\$100,916.50		\$117,716.50	
TOTAL INTANGIBLES WITH 10% CONTINGENCY		\$1,110,081.50		\$1,294,881.50	
TOTAL TANGIBLES		\$135,560.15		\$307,948.65	
GRAND TOTAL		\$1,245,641.65		\$1,602,830.15	
Partner Name					
W.I. % for Dry Hole					
W.I. % for Completion					
Date April 6, 2011					
Prepared by Devin Mills					
Approved by					
Partner's Approval					
Company Name					
Date					

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Sent To Adobe Investment Co.
Street, Apt. No.,
or PO Box No. P.O. Box 1006
City, State, ZIP+4 Ignacio CO 81137
PS Form 3800, August 2006 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Adobe Investment Co.
P.O. Box 1006
Ignacio CO 81137

2. Article Number
(Transfer from service label)

7009 2820 0000 5801 5094

COMPLETE THIS SECTION ON DELIVERY

A. Signature X <u>Stephanie R. Baker</u>	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
B. Received by (Printed Name) <u>Stephanie R. Baker</u>	C. Date of Delivery <u>3-4-11</u>
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	

3. Service Type

<input checked="" type="checkbox"/> Certified Mail	<input type="checkbox"/> Express Mail
<input type="checkbox"/> Registered	<input type="checkbox"/> Return Receipt for Merchandise
<input type="checkbox"/> Insured Mail	<input type="checkbox"/> C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes