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Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

November 10, 1998

Certified Mail  
Return Receipt Requested

Harry S. Ward  
c/o James Ward  
624 ½ E. Green Acres Drive  
Hobbs, NM 88240

Re: Quarry #1 Well  
Lot 15 Section 3, 16S-36E  
Lea County, New Mexico

Dear Mr. Ward:

We are proposing the drilling of the Quarry #1 well in Lot 15 of Section 3, T-16-S, R-36-E, Lea County, New Mexico. The legal location for the well is 3526' FSL and 2095' FEL and will be drilled to a depth of 11,800' to test the Strawn Formation.

You have previously been extended an opportunity to lease your mineral rights by Manzano Oil Corporation and having not reached a lease agreement with you, we now request your participation in the above described well. Your election to participate shall be evidenced by your execution of an AFE and Joint Operating Agreement, naming Manzano Oil Corporation as operator, and payment of your proportionate share of the drilling cost.

We would appreciate your notifying us as to your election on or before December 3, 1998 as we anticipate commencing the well around that date. Should you respond affirmatively, Manzano will provide a Joint Operating Agreement along with an invoice for your drilling cost.

Thank you for your attention to this matter, and let me know if you should have any questions in this regard.

Sincerely,

Debbi Jeffers

Encl: AFE dated September 1, 1998