



GLEN E. FARMER

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OIL & GAS LEASES
OIL & GAS PROPERTIES
OIL & GAS EXPLORATION
OIL & GAS INVESTMENTS

August 12, 1999

Ms. Sherrie Green, Land Manager
Coates Energy Trust
P. O. Box 171717
San Antonio, Texas 78217

Re: Oil & Gas Lease Proposal
NW/4 Sec. 2, T-20-S, R-38-E,
N.M.P.M.
Lea County, New Mexico

Dear Ms. Green:

We received your letter and FAX of August 5, being a counter-proposal to our letter of June 30, 1999, requesting an oil and gas lease covering your company's mineral interest under the captioned land.

We cannot meet the terms that you requested; however, we hereby increase our offer as follows:

Bonus: \$250/net mineral acre *H 300*
~~Delay~~ Delay Rental: Paid-up
Term: 30 months *2 yrs*
Royalty: 25% *27-1/2%*
Depths: Earn to total depth drilled. *total depth drilled*
~~Ac~~ Acreage: Captioned acreage only.

Please let us know as quickly as possible whether or not our offer is acceptable.

Yours very truly,

Glen E. Farmer, on behalf of
Leonard Resource Investment Corporation

NMOCD Case No. 12730

Coates Trust Exhibit No. 4