

GLEN E. FARMER

415 West Wall, Suite 705
MIDLAND, TEXAS 79701-4417

(915) 687-0006

December 1, 1999

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

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

Re: South Nadine Area
Oil & Gas Lease Proposal
Northwest Quarter (NW/4) Section 2, T-20-S,
R-38-E, N.M.P.M.
Lea County, New Mexico

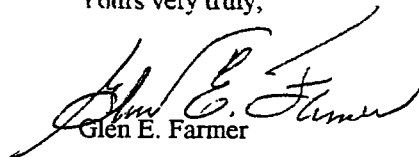
Dear Ms. Green:

Pursuant to our recent telephone conversation, this letter will confirm our offer to lease your company's undivided one-fourth (1/4) mineral interest, being 40 net mineral acres, under the captioned land on the following basis. This offer is made on behalf of our client, Leonard Resource Investment Corporation of Midland, Texas:

Bonus: \$250 per net mineral acre,
Term: 2 years, paid-up,
Royalty: Twenty-five per cent (25%) BPO,
Twenty-seven and one-half per cent (27 1/2%) APO,
Well per well basis,
Depths: Surface down to and including 7,900',
Acreage: 160 acres,
Pugh Clause: Lessee earns to TD drilled; continuous development 180 days between wells after end of primary term,
Option to renew: Lessee granted option to renew for additional one (1) year by paying an additional \$150 per net mineral acre.

If our offer is acceptable, please FAX me a copy of your lease form for our review (FAX # 915-687-1307).

Yours very truly,


Glen E. Farmer

NMOCD Case No. 12730

Coates Trust Exhibit No. 10