

GRAND

PRODUCTION
COMPANY

Telephone: (405) 848-1212
FAX: (405) 840-2528

SUITE 305, COLUMBUS SQUARE, 1001 N.W. 63RD, OKLAHOMA CITY, OKLAHOMA 73116

May 10, 1990

CERTIFIED MAIL
P 019 213 047
RETURN RECEIPT

Dr. William Fain
285 Governor Street
Providence, RI 02906

RE: PROPOSED SHIPP #1-10
11,600' STRAWN TEST
E/2 SE/4 OF SECTION 10-17S-37E
LEA COUNTY, NEW MEXICO

Gentlemen:

Grand Production Company previously proposed and force pooled the referenced unit. Due to unforeseen circumstances, our operations have been delayed, but we now anticipate commencing the well within the next 90 days.

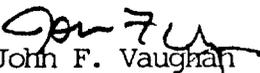
Enclosed please find our AFE for this well. If you intend to participate in the drilling of the well, please execute and return one copy of the AFE. In lieu of your participation, we will accept either of the following:

1. Sell your interest to Grand for \$150.00 per net acre.
2. Farmout your interest to Grand wherein you would retain a 1/8th of 8/8ths overriding royalty interest, proportionately reduced, said override to absorb all burdens in excess of the standard 1/8th landowner's royalty.

Your earliest consideration of this proposal will be appreciated. Should you have any questions, please advise.

Sincerely,

GRAND PRODUCTION COMPANY


John F. Vaughan
Land Manager

JV:LL

Enclosures: (2) AFE

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>C</u>
CASE NO. <u>10157</u>

UNIT OWNERSHIP
E/2 SE/4 OF SECTION 10-17S-37E
LEA COUNTY, NEW MEXICO

<u>OWNER</u>	<u>CERTIFIED MAIL</u>	<u>WORKING INTEREST</u>
Grand Production Company (Applicant) 1001 N.W. 63rd Street Suite 305 Oklahoma City, OK 73116		83.99950%
John F. Altringer 151 Raintree Trail Jupiter, FL 33458		0.75000%
Stanley G. Budner 17 Guinwood Drive Wilmington, DE 19803	P 019 213 034	0.75000%
Stan Hansen 39 Riverside Avenue Apartment No. 2B Stanford, CN 06905	P 019 213 035	0.75000%
Ronald U. Kolb 3900 Dundee Road No. 103 Northbrook, IL 60062	P 019 213 036	0.75000%
Dr. Maurice J. Niebaum 4809 Koral No. 3 Las Vegas, NV 89109	P 019 213 037	0.75000%
Guy G. Stephenson 866 Summer Shade Memphis, TN 38116	P 019 213 038	0.75000%
J. Paul Wilson 314 Potter Road North Kingston, RI 02852	P 019 213 045	1.50000%
Virgil C. Witten 1302 Zephyr Plainview, TX 79702	P 019 213 046	0.75000%
Dr. William Fain 285 Governor Street Providence, RI 02906	P 019 213 047	1.50000%

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
Mr. Guy G. Stephenson

4. Article Number
P019 213 039

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
[Signature]

6. Signature - Agent
[Signature]

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

Shipp #1-10

MEMPHIS, TN WHITEHAVEN STA. TN 38111

PS Form 3811, Apr. 1989

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
Dr. Maurice J. Niebaum

4. Article Number
P019 213 037

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
[Signature]

6. Signature - Agent
[Signature]

7. Date of Delivery
5/14

8. Addressee's Address (ONLY if requested and fee paid)
*617
JE*

Shipp #1-10

PS Form 3811, Apr. 1989

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
Mr. Ronald U. Kolb

4. Article Number
P 019 213 036

Type of Service:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
[Signature]

6. Signature - Agent
[Signature]

7. Date of Delivery
5/21/90

8. Addressee's Address (ONLY if requested and fee paid)

Shipp #1-10

PS Form 3811, Apr. 1989

DOMESTIC RETURN RECEIPT

ILLEGIBLE

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: <i>Dr. William Fain</i>	4. Article Number <i>P 019 213 047</i>
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee <i>X</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X</i> <i>Steven Smith</i>	
7. Date of Delivery <i>5-14-90</i>	

Shipp #1-10

PS Form 3811, Apr. 1989 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: <i>Fain</i> <i>215 Gouverneur</i> <i>101 Highland</i>	4. Article Number <i>P 019 213 047</i>
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee <i>X</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X</i> <i>St. Smith</i>	
7. Date of Delivery <i>5/16/90</i>	

Shipp #1-10

PS Form 3811, Apr. 1989 *U.S.G.P.O. 1989-238-815 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: <i>Mr. Stanley G. Budner</i>	4. Article Number <i>P 019 213 034</i>
Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee <i>X</i> <i>S. G. Budner</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>X</i>	
7. Date of Delivery <i>5/14/90</i>	

Shipp #1-10

PS Form 3811, Apr. 1989 DOMESTIC RETURN RECEIPT

ILLEGIBLE

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: <i>MR. Virgil C. Witten</i>	4. Article Number <i>P 019 213 046</i>
Signature - Addressee <i>[Signature]</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>[Signature]</i>	
7. Date of Delivery <i>5-1-90</i>	

PS Form 3811, Apr. 1989 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: <i>MR. J. Paul Wilson</i>	4. Article Number <i>P 019 213 045</i>
Signature - Addressee <i>[Signature]</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <i>[Signature]</i>	
7. Date of Delivery <i>5-14-90</i>	

PS Form 3811, Apr. 1989 DOMESTIC RETURN RECEIPT

ILLEGIBLE

GRAND PRODUCTION COMPANY

DATE: November 1, 1989

AUTHORITY FOR EXPENDITURE

WELL NAME SHIPP #1-10 AFE NO. _____ PREPARED BY: Les Belinski
 DESCRIPTION SE/4 SE/4 SEC. 10 TWP 17S RGE 37E
 COUNTY Lea County STATE New Mexico OPERATOR: Grand Production Co.
 OBJECTIVE: Drill 11,600' Strawn test, complete if warranted
 EXPLORATION DEVELOPMENT X RECOMPLETION _____ WORKOVER _____ SUPPLEMENT _____

	ESTIMATED COST				ACTUAL COST
	CODE	DRY HOLE-	CODE	PRODUCER-	
DRILLING COST - INTANGIBLE					
Daywork 2 1/4 days @ \$4,000/day	101	9,000	XXXX	XXXXXXXX	
Footage 11,600' x 13.00	102	150,800	XXXX	XXXXXXXX	
M.I. - R.U. - T.D.	103		XXXX	XXXXXXXX	
Cement & Services	104	15,000	XXXX	XXXXXXXX	
Mud & Chemicals	105	12,000	XXXX	XXXXXXXX	
Bits	106		XXXX	XXXXXXXX	
Roads, Location, Damages, & Restor.	107	20,000	XXXX	XXXXXXXX	
Fuel & Water	108	12,000	XXXX	XXXXXXXX	
Logging - Core - (PST)	109	25,000	XXXX	XXXXXXXX	
Testing - Inspection	110	6,000	XXXX	XXXXXXXX	
Rental Equipment	111	5,000	XXXX	XXXXXXXX	
Rental Tongs & Labor	112		XXXX	XXXXXXXX	
Geological - Consultant	113	4,000	XXXX	XXXXXXXX	
Engineering - Consultant-Supervision	114	6,000	XXXX	XXXXXXXX	
Overhead	115	5,000	XXXX	XXXXXXXX	
Other	116	15,000	XXXX	XXXXXXXX	
Well Control Insurance	117	15,000	XXXX	XXXXXXXX	
Trucking & Hauling	118	8,000			
TOTAL DRILLING INTANGIBLES		307,800			
COMPLETION COSTS - INTANGIBLE					
Completion Unit (Daywork)	XXXX	XXXXXXXX	301	6,000	
Labor and expense	XXXX	XXXXXXXX	302	2,000	
Cement & Service	XXXX	XXXXXXXX	303	15,000	
Downhole Equipment	XXXX	XXXXXXXX	304	8,000	
Fuel & Water	XXXX	XXXXXXXX	305	2,000	
Logging & Perforating	XXXX	XXXXXXXX	306	6,000	
Acid & Fracturing	XXXX	XXXXXXXX	307	5,000	
Rental Equipment	XXXX	XXXXXXXX	308	3,000	
Rental Tongs & Labor	XXXX	XXXXXXXX	309		
Liner Service	XXXX	XXXXXXXX	310		
Engineering - Consultant - Supervision	XXXX	XXXXXXXX	311	4,000	
Overhead	XXXX	XXXXXXXX	312	2,000	
Other	XXXX	XXXXXXXX	313	7,000	
Trucking & Hauling			314	3,000	
TOTAL COMPLETION INTANGIBLES				63,000	
MATERIALS - TANGIBLES*					
Casing:		<u>DRY HOLE</u>		<u>PRODUCER</u>	
Surface 450 13 3/8 @ 22.22/ft.	201	10,000			
Intermediate 4700 9 5/8 @ 13.83/ft.	201	65,000	402		
Production 11,600 5 1/2 @ 9.00/ft.			403	104,400	
Tubing 11,400 2 7/8 @ 4.60/ft.			404	52,440	
Wellhead & Safety Equipment	202	3,000	405	9,000	
Pumping Unit, Engine & Rods - Labor			406		
Tanks			407	10,000	
Production Equipment			408	12,000	
Line Pipe & Fittings			409	6,000	
Other			410	8,000	
TOTAL TANGIBLES		78,000		201,840	
TOTALS - DRY/PRODUCER		385,800		264,840	
GRAND WELL TOTAL				650,640	

*Cost Subject to Availability

Please indicate Insurance Election: Well Control Insurance for Drilling & Producing Well Desired. YES _____ NO _____

Failure to elect will result in your exclusion from Operator's Well Control Coverage pursuant to Exhibit "D" II of the Operating Agreement.

COMPANY: _____

YOUR INTEREST: _____

APPROVED: _____

DATE: _____