



365

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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March 8, 2007

Bass Enterprises Production Co.
201 Main Street, Suite 2900
Fort Worth, Texas 76102-3131

Attention: Mr. Forest K. Naylor

Re: Big Eddy Unit Well No. 143
Commercial Determination
Morrow Formation
Eddy County, New Mexico

Dear Mr. Naylor:

Thank you for your letter of February 1, 2006, together with data that supports your commercial determination regarding the Big Eddy Unit Well No. 143, located in the SE/4SW4/ of Sec. 19-21S-28E.

By their letter of February 9, 2006, the BLM advised this office that they have concurred with your determination for the above-mentioned well.

The Commissioner of Public Lands concurs with your determination that the Big Eddy Unit Well No. 143 is capable of producing unitized substances in paying quantities from the Morrow formation and should be included in the Initial Morrow participating area.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
PL/JB/pm

pc: Reader File,
BLM-Roswell Attn: Ms. Alexis Swoboda
OCD-Santa Fe Attn: Mr. David Catanach
TRD-Attn: Mr. Valdean Severson
RMD-Attn: Mr. Kurt Mcfall

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

UNIT NAME: HOPE STATE EXPLORATORY UNIT
OPERATOR: PARALLEL PETROLEUM CORPORATION
COUNTY: EDDY

DATE APPROVED	OCD CASE NO. OCD ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 3/1/2007	CASE NO. 13863 ORDER NO. R-12722	1840	1840	0	0	STRICT	5 YEARS & SO LONG AS

APPROVALS

SLO-3/1/2007
OCD-2/23/2007

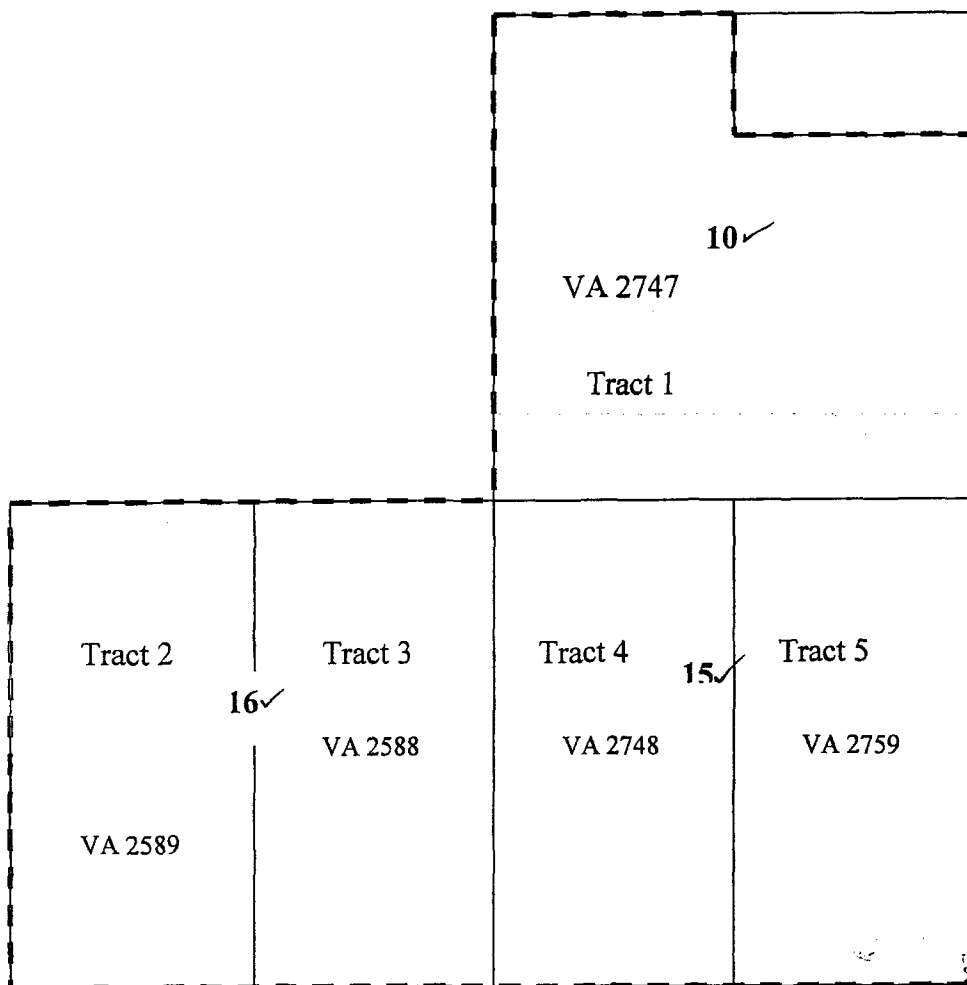
TOWNSHIP 18 SOUTH, RANGE 21 EAST

SECTION : 10: S/2, S/2N/2, N/2NW/4
SECTION : 16: ALL
SECTION : 15: ALL

2007 MAR 12 AM 11 22

EXHIBIT "A"
MAP OF UNIT AREA
HOPE STATE EXPLORATORY UNIT
EDDY COUNTY, NEW MEXICO

TOWNSHIP 18 SOUTH, RANGE 21 EAST, NMPM



2007 FEB 28 PM 9 29
STATE
SANTA FE, N.M.

EXHIBIT "B" - SCHEDULE OF OWNERSHIP
Schedule Showing all Lands and Leases
Within the Hope State Exploratory Unit
Eddy County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND %	INTEREST
1	T-18-S, R-21-E Section 10: S/2, S/2N/2, N/2NW/4	560	VA-2747 January 1, 2008	State of New Mexico - 12.5%	Capstone Oil & Gas Company, L.P. and LCX Energy, LLC	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% Dale Douglas - 0.2083334% Jared Partners, Ltd. - 0.2041668% James E. Gietgey, Trustee of the MYJA Trust - 0.0041668% Keith Williams - 0.25% Total - 5.50000009%	LCX Energy, LLC - 76.50% Parallel Petroleum Corporation - 8.50% Capstone Oil & Gas Company, L.P. - 12.50% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
2	T-18-S, R-21-E Section 16: W/2	320	VA-2589 May 1, 2007	State of New Mexico - 12.5%	Capstone Oil & Gas Company, L.P. and LCX Energy, LLC	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% Dale Douglas - 0.2083334% Jared Partners, Ltd. - 0.2041668% James E. Gietgey, Trustee of the MYJA Trust - 0.0041668% Keith Williams - 0.25% Total - 5.50000009%	LCX Energy, LLC - 76.50% Parallel Petroleum Corporation - 8.50% Capstone Oil & Gas Company, L.P. - 12.50% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
3	T-18-S, R-21-E Section 16: E/2	320	VA-2588 May 1, 2007	State of New Mexico - 12.5%	Capstone Oil & Gas Company, L.P. and LCX Energy, LLC	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% Dale Douglas - 0.2083334% Jared Partners, Ltd. - 0.2041668% James E. Gietgey, Trustee of the MYJA Trust - 0.0041668% Keith Williams - 0.25% Total - 5.50000009%	LCX Energy, LLC - 76.50% Parallel Petroleum Corporation - 8.50% Capstone Oil & Gas Company, L.P. - 12.50% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
4	T-18-S, R-21-E Section 15: W/2	320	VA-2748 January 1, 2008	State of New Mexico - 12.5%	Capstone Oil & Gas Company, L.P. and LCX Energy, LLC	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% Dale Douglas - 0.2083334% Jared Partners, Ltd. - 0.2041668% James E. Gietgey, Trustee of the MYJA Trust - 0.0041668% Keith Williams - 0.25% Total - 5.50000009%	LCX Energy, LLC - 76.50% Parallel Petroleum Corporation - 8.50% Capstone Oil & Gas Company, L.P. - 12.50% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%
5	T-18-S, R-21-E Section 15: E/2	320	VA-2759 January 1, 2008	State of New Mexico - 12.5%	Capstone Oil & Gas Company, L.P. and LCX Energy, LLC	C. Mark Wheeler - 2.4166665% Jerry B. Elger - 2.4166665% Dale Douglas - 0.2083334% Jared Partners, Ltd. - 0.2041668% James E. Gietgey, Trustee of the MYJA Trust - 0.0041668% Keith Williams - 0.25% Total - 5.50000009%	LCX Energy, LLC - 76.50% Parallel Petroleum Corporation - 8.50% Capstone Oil & Gas Company, L.P. - 12.50% CMW Interests, Inc. - 1.25% Elger Exploration, Inc. - 1.25% Total - 100.00%

RECAPITULATION

1,840 Acres of State of New Mexico Lands = 100%