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PATRICK H. LYONS  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

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March 27, 2007

Palisades Asset Holding Co., LLC  
223 W. Wall, Suite 825  
Midland, Texas 79705

Attn: Mr. Dan Parkhurst

Re: Resignation/Designation of Successor Unit Operator  
Drickey Queen Sand Unit  
Chaves County, New Mexico

Dear Mr. Parkhurst :

We are in receipt of your resignation/designation of successor unit operator, wherein Caprock Exploration, Inc., has resigned as unit operator of the Drickey Queen Sand Unit and designated Palisades Asset Holding Co., LLC as the successor unit operator.

The Commissioner of Public Lands has this date approved the resignation of Caprock Exploration, Inc., and the designation of Palisades Asset Holding Co., LLC as the successor unit operator of this unit. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

This change in operators is effective February 1, 2006. In accordance with this approval, Palisades Asset Holding Co., LLC is now responsible for all operations and the reporting of all production from the unit.

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

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil/Gas and Minerals Division  
PL/JB/jm  
xc: Reader File  
OCD-Santa Fe, Attn: Mr. David Catanach  
TRD-Attn: Mr. Valdean Severson  
BLM Roswell-Attn: Mr. John Simitz