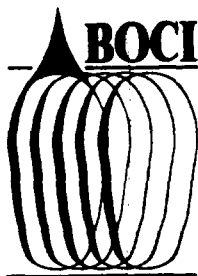
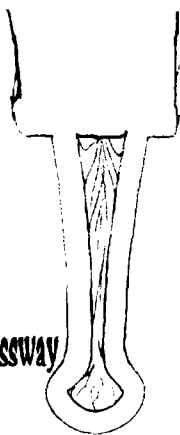


8080 North Central Expressway
Suite 780, LB 41
Dallas, Texas 75206



Browning Oil Company, Inc.

Phone: (214) 739-3481
Fax: (214) 739-4458

October 9, 1995

Mr. Bill LaMay
State of New Mexico
Office of the Commissioner of Public Lands
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Application for Unorthodox Location
Knowles # 1 Well
State of New Mexico Lease V-1222
Section 1, Township 16 South, Range 38 East
Lea County, New Mexico

*1.5 miles west of the
old Hobbs Army
Box 10000 #1
11415*

Dear Mr. LaMay:

Please be advised that Browning Oil Company, Inc. proposes to drill a well to be located in the southeast corner of Lot 10, Section 1, Township 16 South, Range 38 East in Lea County, New Mexico. The placement of this well, to be located 3,627' from the north line and 1,425' from the east line of Section 1, constitutes an "Unorthodox Location". Therefore, please accept this letter as our application for the approval of our location by the State of New Mexico.

The Browning Oil Company, Inc. Knowles #1 well is a proposed 13,200 foot exploratory project for the purpose of testing the Devonian (Silurian) formation. The project is supported by well control consisting of four dry and abandoned wells and seismic. The proposed location will attempt to test a geologic feature at its structurally highest position.

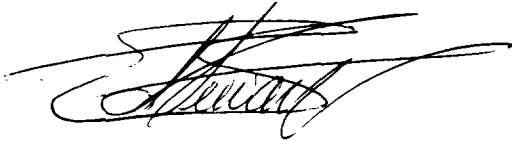
The proposed unorthodox location is necessary in order to properly test this idea. A well completed as an oil or gas producer would most adequately drain the proration unit and assist in the proper development of a field. This location could, furthermore, prevent the unnecessary drilling of economically marginal wells or dry holes. A well completed as dry hole at this location would also properly test this idea and prevent the drilling of additional dry holes. Ultimately, the location would help conserve financial and natural resources.

Enclosed in triplicate herewith, please find copies of the C101 and C102 forms that have been filed with the State's District office in Hobbs, New Mexico. Also enclosed, is a lease plat, geological plat, a schematic of our blowout preventers and a plat showing our proration unit. In addition, please find the necessary forms concerning our plugging bond in the amount of \$10,000.00.

Browning Oil Company, Inc. owns States Lease V-1222 covering all of Section 1, Township 16 South, Range 38 East. Please notice that the proration unit is contained within the boundaries of this State Lease and that all contiguous lands around the proration unit are owned by Browning. Therefore, it was necessary to notify offset owners.

The proposed spud for this well is November 15, 1995. Therefore, if any additional information or forms are required for the granting of a permit to drill by the State, please do not hesitate to immediately contact the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ed Stewart', with a large, sweeping flourish extending to the right.

Ed Stewart
Landman
ES/ems
Enclosures