

BLAINE HESS
Oil Properties
Post Office Box 326
Roswell, New Mexico 88202-0326
(505) 623-5400
(505) 623-4916 (Fax)

June 30, 1998

Ms. Laura B. Smith
Ocean Energy, Inc.
410-17th Street
Suite 1400
Denver, Colorado 80202

Re: **Ownership Report**
Lea County, New Mexico

EXHIBIT 3
CASE NO. 12012

Dear Ms. Smith:

Pursuant to your request, we have prepared an ownership report setting out the leasehold status pertaining to the following described lands located in Lea County, New Mexico.

Township 10 South, Range 37 East, N.M.P.M.

Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 23: W/2
Section 26: W/2
Section 35: All

I. RECORDS SEARCHED

- A. Elliott & Waldron Title & Abstract Co. Inc. Tract indices were searched from date of leases to current postings of June 12, 1998. Lovington, New Mexico.

II. LEASEHOLD STATUS

- A. State Lands
VA-1135 Dated January 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 14: NW/4
containing 160.00 acres, more or less

State Lands
 VA-1133 Dated January 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
 Section 14: NE/4
 containing 160.00 acres, more or less

State Lands
 VA-1136 Dated January 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
 Section 14: SE/4
 containing 160.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Kenneth Barbe, Jr., unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	4%	80%	State of NM - 12.5% RI Alpine Petroleum, Inc. - 1% ORRI P.O. Box 2071 Midland, TX 79702	HBP
Bearing Service & Supply Co., Inc. P.O. Box 100 Artesia, NM 88211	5%	80%	SunValley Energy Corporation - .585% ORRI 200 W. First, Suite 200 Roswell, NM 88201	
Bear Energy, Inc. P.O. Box 8821 Roswell, NM 88202-8221	.973%	80%	Kenneth Barbe, Jr., - .065% ORRI unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	
M. Brad Bennett, unknown marital status P.O. Box 3700 Midland, TX 79702	1%	80%	Bear Energy, Inc. - .0195% ORRI P.O. Box 8821 Roswell, NM 88202-8821	
Bighorn Investments, Inc. 2512 Gaye Drive Roswell, NM 88201	.8%	80%	C. Michael Brown, - .058% ORRI unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	
Charles E. Brown, unknown marital status P.O. Box 609 Crystal City, TX 78839	.75%	80%	Dingus Investments, Inc. - .39% ORRI P.O. Box 11120 Midland, TX 79702-1120	

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
C. Michael Brown, unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	.75%	80%	Franklin Resources, Inc. - .65% ORRI P.O. Box 30365 Albuquerque, NM 87190	
Richard J. Forrest, Jr., unknown marital status 208 Dickson Lane Carlsbad, NM 88220	.5%	80%	Hanagan Petroleum Corp. - .585% ORRI P.O. Box 1737 Roswell, NM 88202-1737	
Harold Kious, unknown marital status P.O. Drawer L Albuquerque, NM 87103	1%	80%	Manzano Oil Corporation - 1.242% ORRI P.O. Box 2107 Roswell, NM 88202-2107	
KL Enterprises, Inc. 1910 N. Atkinson Ave. Roswell, NM 88201	2%	80%	Spartan Resources, L.L.C. - .39% ORRI P.O. Box 2266 Ardmore, OK 73402-2266	
Thomas D. Ramage, unknown marital status 2904 Avenida De Amigos Roswell, NM 88201	1%	80%	Trinity Limited Partnership - .195% ORRI P.O. Box 564 Roswell, NM 88202-0564	
Bean Family Limited Company P.O. Box 1738 Roswell, NM 88202-1738	5%	80%	United Shores, Inc. - 1.2805% ORRI 6501 Americas Parkway, NE Suite 695 Albuquerque, NM 87110	
Spartan Resources, L.L.C. P.O. Box 2266 Ardmore, OK 73402	6%	79%	Western Oil Producers, Inc. - .195% ORRI P.O. Box 2055 Roswell, NM 88202-2055	
Tom P. Stephens Trust P.O. Box 698 Roswell, NM 88202-0698	2%	80%	Worrall Investment Corporation - .117% ORRI 648 Petroleum Building Roswell, NM 88201	
Sweatt Construction Co. P.O. Box 827 Artesia, NM 88211	.5%	80%	Yale Oil Associates, Inc. - .65% ORRI Six NE 63rd Street, Suite 426 Santa Fe North Building Oklahoma City, OK 73105	

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Western Oil Producers, Inc. P.O. Box 2055 Roswell, NM 88202-2055	.673%	80%	Mitchell Exploration, Inc. - .039% ORRI 648 Petroleum Building Roswell, NM 88201	
Billy M. Willard, unknown marital status P.O. Box 1086 Borger, TX 79008	2%	80%	Brent D. Beakley, - .039% ORRI unknown marital status 2516 Cambridge Roswell, NM 88201	
Jeffrey S. Willard, unknown marital status P.O. Box 601 Dalhart, TX 79022	1%	80%	Charles D. McMurray, - .001432% ORRI unknown marital status 4039 Piping Rock Houston, TX 77027	
Yale Oil Associates Six NE 63rd Street, Suite 426 Santa Fe North Building Oklahoma City, OK 73105	6.122%	80%	Charles W. Snider, - .000377% ORRI unknown marital status 12130 Overcup Houston, TX 77024	
Mitchell Exploration, Inc. 648 Petroleum Building Roswell, NM 88201	.24%	80%	Charlie H. Read - .000377% ORRI unknown marital status 2622 Shadowdale Houston, TX 77043	
Brent D. Beakley, unknown marital status 2516 Cambridge Avenue Roswell, NM 88201	.29%	80%	Thomas H. Brown, - .000377% ORRI unknown marital status 16014 Maplehurst Spring, TX 77379	
Tres Featherstone, unknown marital status 1801 W. Second St. Roswell, NM 88201	1.474%	80%	Scott L. Stone, - .06% ORRI unknown marital status 4013 NW Expressway Suite 690 Oklahoma City, OK 73116	
Olen F. Featherstone II, unknown marital status 1801 W. Second St. Roswell, NM 88201	2.948%	80%		

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
W.F. Whitfield, unknown marital status P.O. Box 30365 Albuquerque, NM 87190	5.212%	80%		
Phelps Anderson, unknown marital status P.O. Box 1000 Roswell, NM 88202-1000	3%	80%		
Coll Brothers Oil Company P.O. Box 1818 Roswell, NM 88202-1818	1.8%	80%		
Jasha Cultreri, unknown marital status 601 N. Marienfeld, Suite 500 Midland, TX 79701	.3%	80%		
Philmore Pangle, Inc. 16350 Craighurst Houston, TX 77059	2.2%	80%		
David Gannaway and his wife, Cene Gannaway P.O. Box 2791 Roswell, NM 88202-2791	.8%	80%		
Larry Grantham, unknown marital status 184 E. Darby Dexter, NM 88230	.6%	80%		
Blaine Hess and his wife, Abby R. Hess P.O. Box 326 Roswell, NM 88202-0326	2.224%	80%		
Frank G. Holtemann, unknown marital status 7079 Lucas Valley Road Nicasio, CA 94946	.6%	80%		

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Mizel Resources A Trust 5801 E. 41st Street, Suite 104 Tulsa, OK 74135-5601	6%	80%		
Brian Reid, unknown marital status 2502 Camarie Midland, TX 79705	.3%	80%		
Robinson Farms, Inc. Rt. 1, 181 E. Darby Rd. Dexter, NM 88230	1.2%	80%		
PoPo Enterprises, Inc. 2502 Riverlawn Kingwood, TX 77339	2%	80%		
SunValley Energy Corporation 200 W. First Street, Suite 200 Roswell, NM 88201	4.212%	80%		
Manzano Oil Corporation P.O. Box 2107 Roswell, NM 88202-2107	10.000% <u>13.532%</u> Total 23.532%	78.57% 80.00%		

B. State Lands
VA-1134 Dated January 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 14: SW/4
containing 160.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Kenneth Barbe, Jr., unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	4%	80%	State of NM - 12.5% RI Alpine Petroleum, Inc. - 1% ORRI P.O. Box 2071 Midland, TX 79702	HBP
Bearing Service & Supply Co., Inc. P.O. Box 100 Artesia, NM 88211	5%	80%	SunValley Energy Corporation - .585% ORRI 200 W. First, Suite 200 Roswell, NM 88201	

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Bear Energy, Inc. P.O. Box 8821 Roswell, NM 88202-8221	.973%	80%	Kenneth Barbe, Jr., - .065% ORRI unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	
M. Brad Bennett, unknown marital status P.O. Box 3700 Midland, TX 79702	1%	80%	Bear Energy, Inc. - .0195% ORRI P.O. Box 8821 Roswell, NM 88202-8821	
Bighorn Investments, Inc. 2512 Gaye Drive Roswell, NM 88201	.8%	80%	C. Michael Brown, - .058% ORRI unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	
Charles E. Brown, unknown marital status P.O. Box 609 Crystal City, TX 78839	.75%	80%	Dingus Investments, Inc. - .39% ORRI P.O. Box 11120 Midland, TX 79702-1120	
C. Michael Brown, unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	.75%	80%	Franklin Resources, Inc. - .65% ORRI P.O. Box 30365 Albuquerque, NM 87190	
Richard J. Forrest, Jr., unknown marital status 208 Dickson Lane Carlsbad, NM 88220	.5%	80%	Hanagan Petroleum Corporation - .585% ORRI P.O. Box 1737 Roswell, NM 88202-1737	
Harold Kious, unknown marital status P.O. Drawer L Albuquerque, NM 87103	1%	80%	Manzano Oil Corporation - 1.242% ORRI P.O. Box 2107 Roswell, NM 88202-2107	
KL Enterprises, Inc. 1910 N. Atkinson Ave. Roswell, NM 88201	2%	80%	Spartan Resources, L.L.C. - .39% ORRI P.O. Box 2266 Ardmore, OK 73402-2266	
Thomas D. Ramage, unknown marital status 2904 Avenida De Amigos Roswell, NM 88201	1%	80%	Trinity Limited Partnership - .195% ORRI P.O. Box 564 Roswell, NM 88202-0564	
			United Shores, Inc. - 1.2805% ORRI 6501 Americas Parkway, NE Suite 695 Albuquerque, NM 87110	

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Bean Family Limited Company P.O. Box 1738 Roswell, NM 88202-1738	5%	80%	Western Oil Producers, Inc. - .195% ORRI P.O. Box 2055 Roswell, NM 88202-2055	
Spartan Resources, L.L.C. P.O. Box 2266 Ardmore, OK 73402	6%	79%	Worrall Investment Corporation - .117% ORRI 648 Petroleum Building Roswell, NM 88201	
Tom P. Stephens Trust P.O. Box 698 Roswell, NM 88202-0698	2%	80%	Yale Oil Associates, Inc. - .65% ORRI Six NE 63rd Street, Suite 426 Santa Fe North Building Oklahoma City, OK 73105	
Sweatt Construction Co. P.O. Box 827 Artesia, NM 88211	.5%	80%	Mitchell Exploration, Inc. - .039% ORRI 648 Petroleum Building Roswell, NM 88201	
Western Oil Producers, Inc. P.O. Box 2055 Roswell, NM 88202-2055	.673%	80%		
Billy M. Willard, unknown marital status P.O. Box 1086 Borger, TX 79008	2%	80%	Brent D. Beakley, - .039% ORRI unknown marital status 2516 Cambridge Roswell, NM 88201	
Jeffrey S. Willard, unknown marital status P.O. Box 601 Dalhart, TX 79022	1%	80%	Charles D. McMurray, - .001432% ORRI unknown marital status 4039 Piping Rock Houston, TX 77027	
Yale Oil Associates Six NE 63rd Street, Suite 426 Santa Fe North Building Oklahoma City, OK 73105	6.122%	80%	Charles W. Snider, - .000377% ORRI unknown martial status 12130 Overcup Houston, TX 77024	
Mitchell Exploration, Inc. 648 Petroleum Building Roswell, NM 88201	.24%	80%	Charlie H. Read - .000377% ORRI unknown marital status 2622 Shadowdale Houston, TX 77043	

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Brent D. Beakley, unknown marital status 2516 Cambridge Avenue Roswell, NM 88201	.29%	80%	Thomas H. Brown, - .000377% ORRI unknown marital status 16014 Maplehurst Spring, TX 77379	
Tres Featherstone, unknown marital status 1801 W. Second St. Roswell, NM 88201	1.474%	80%	Scott L. Stone, - .06% ORRI unknown marital status 4013 NW Expressway Suite 690 Oklahoma City, OK 73116	
Olen F. Featherstone II, unknown marital status 1801 W. Second St. Roswell, NM 88201	1.474%	80%		
Angela Naranjo, separate property 1801 W. Second St. Roswell, NM 88201	1.474%	80%		
Franklin Resources, Inc. P.O. Box 30365 Albuquerque, NM 87190	5.212%	80%		
Phelps Anderson, unknown marital status P.O. Box 1000 Roswell, NM 88202-1000	3%	80%		
Coll Brothers Oil Company P.O. Box 1818 Roswell, NM 88202-1818	1.8%	80%		
Jasha Cultreri, unknown marital status 601 N. Marienfeld, Suite 500 Midland, TX 79701	.3%	80%		
Philmore Pangle, Inc. 16350 Craighurst Houston, TX 77059	2.2%	80%		

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
David Gannaway and his wife, Cene Gannaway P.O. Box 2791 Roswell, NM 88202-2791	.8%	80%		
Larry Grantham, unknown marital status 184 E. Darby Dexter, NM 88230	.6%	80%		
Blaine Hess and his wife, Abby R. Hess P.O. Box 326 Roswell, NM 88202-0326	2.224%	80%		
Frank G. Holtemann, unknown marital status 7079 Lucas Valley Road Nicasio, CA 94946	.6%	80%		
Mizel Resources A Trust 5801 E. 41st Street, Suite 104 Tulsa, OK 74135-5601	6%	80%		
Brian Reid, unknown marital status 2502 Camarie Midland, TX 79705	.3%	80%		
Robinson Farms, Inc. Rt. 1, 181 E. Darby Rd. Dexter, NM 88230	1.2%	80%		
PoPo Enterprises, Inc. 2502 Riverlawn Kingwood, TX 77339	2%	80%		
SunValley Energy Corporation 200 W. First, Street Suite 200 Roswell, NM 88201	4.212%	80%		

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Manzano Oil Corporation	10.000%	78.57%		
P.O. Box 2107	13.532%	80.00%		
Roswell, NM 88202-2107 Total	23.532%			

C. State Lands
V-4430 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 15: SE/4
containing 160.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Kenneth Barbe, Jr., unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	4%	80%	State of NM - 16.67% RI Alpine Petroleum, Inc. - 1% ORRI P.O. Box 2071 Midland, TX 79702	HBP
Bearing Service & Supply Co., Inc. P.O. Box 100 Artesia, NM 88211	5%	80%	SunValley Energy Corporation - .2097% ORRI 200 W. First, Suite 200 Roswell, NM 88201	
Bear Energy, Inc. P.O. Box 8821 Roswell, NM 88202-8221	.973%	80%	Kenneth Barbe, Jr., - .0233% ORRI unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	
M. Brad Bennett, unknown marital status P.O. Box 3700 Midland, TX 79702	1%	80%	Bear Energy, Inc. - .007% ORRI P.O. Box 8821 Roswell, NM 88202-8821	
Bighorn Investments, Inc. 2512 Gaye Drive Roswell, NM 88201	.8%	80%	C. Michael Brown, - .0208% ORRI unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	
Charles E. Brown, unknown marital status P.O. Box 609 Crystal City, TX 78839	.75%	80%	Dingus Investments, Inc. - .1398% ORRI P.O. Box 11120 Midland, TX 79702-1120	

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
C. Michael Brown, unknown marital status P.O. Box 2107 Roswell, NM 88202-2107	.75%	80%	Franklin Resources, Inc. - .233% ORRI P.O. Box 30365 Albuquerque, NM 87190	
Richard J. Forrest, Jr., unknown marital status 208 Dickson Lane Carlsbad, NM 88220	.5%	80%	Hanagan Petroleum Corporation - .2097% ORRI P.O. Box 1737 Roswell, NM 88202-1737	
Harold Kious, unknown marital status P.O. Drawer L Albuquerque, NM 87103	1%	80%	Manzano Oil Corporation - .4452% ORRI P.O. Box 2107 Roswell, NM 88202-2107	
KL Enterprises, Inc. 1910 N. Atkinson Ave. Roswell, NM 88201	2%	80%	Spartan Resources, L.L.C. - .1398% ORRI P.O. Box 2266 Ardmore, OK 73402-2266	
Thomas D. Ramage, unknown marital status 2904 Avenida De Amigos Roswell, NM 88201	1%	80%	Trinity Limited Partnership - .0699% ORRI P.O. Box 564 Roswell, NM 88202-0564	
Bean Family Limited Company P.O. Box 1738 Roswell, NM 88202-1738	5%	80%	United Shores, Inc. - .459% ORRI 6501 Americas Parkway, NE Suite 695 Albuquerque, NM 87110	
Spartan Resources, L.L.C. P.O. Box 2266 Ardmore, OK 73402	6%	79%	Western Oil Producers, Inc. - .0699% ORRI P.O. Box 2055 Roswell, NM 88202-2055	
Tom P. Stephens Trust P.O. Box 698 Roswell, NM 88202-0698	2%	80%	Worrall Investment Corporation - .03495% ORRI 648 Petroleum Building Roswell, NM 88201	
Sweatt Construction Co. P.O. Box 827 Artesia, NM 88211	.5%	80%	Yale Oil Associates, Inc. - .233% ORRI Six NE 63rd Street, Suite 426 Santa Fe North Building Oklahoma City, OK 73105	

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Billy M. Willard, unknown marital status P.O. Box 1086 Borger, TX 79008	2%	80%	Brent D. Beakley, - .017475% ORRI unknown marital status 2516 Cambridge Roswell, NM 88201	
Jeffrey S. Willard, unknown marital status P.O. Box 601 Dalhart, TX 79022	1%	80%	Charles D. McMurray, - .001432% ORRI unknown marital status 4039 Piping Rock Houston, TX 77027	
Yale Oil Associates Six NE 63rd Street, Suite 426 Santa Fe North Building Oklahoma City, OK 73105	6.122%	80%	Charles W. Snider, - .000377% ORRI unknown martial status 12130 Overcup Houston, TX 77024	
Mitchell Exploration, Inc. 648 Petroleum Building Roswell, NM 88201	.24%	80%	Charlie H. Read - .000377% ORRI unknown marital status 2622 Shadowdale Houston, TX 77043	
Brent D. Beakley, unknown marital status 2516 Cambridge Avenue Roswell, NM 88201	.29%	80%	Thomas H. Brown, - .000377% ORRI unknown marital status 16014 Maplehurst Spring, TX 77379	
Tres Featherstone, unknown marital status 1801 W. Second St. Roswell, NM 88201	1.474%	80%	Scott L. Stone, - .06% ORRI unknown marital status 4013 NW Expressway Suite 690 Oklahoma City, OK 73116	
Olen F. Featherstone II, unknown marital status 1801 W. Second St. Roswell, NM 88201	2.948%	80%		

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
W.F. Whitfield, unknown marital status P.O. Box 30365 Albuquerque, NM 87190	5.212%	80%		
Phelps Anderson, unknown marital status P.O. Box 1000 Roswell, NM 88202-1000	3%	80%		
Coll Brothers Oil Company P.O. Box 1818 Roswell, NM 88202-1818	1.8%	80%		
Jasha Cultreri, unknown marital status 601 N. Marienfeld, Suite 500 Midland, TX 79701	.3%	80%		
Philmore Pangle, Inc. 16350 Craighurst Houston, TX 77059	2.2%	80%		
David Gannaway and his wife, Cene Gannaway P.O. Box 2791 Roswell, NM 88202-2791	.8%	80%		
Larry Grantham, unknown marital status 184 E. Darby Dexter, NM 88230	.6%	80%		
Blaine Hess and his wife, Abby R. Hess P.O. Box 326 Roswell, NM 88202-0326	2.224%	80%		
Frank G. Holtemann, unknown marital status 7079 Lucas Valley Road Nicasio, CA 94946	.6%	80%		

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Mizel Resources A Trust 5801 E. 41st Street, Suite 104 Tulsa, OK 74135-5601	6%	80%		
Brian Reid, unknown marital status 2502 Camarie Midland, TX 79705	.3%	80%		
Robinson Farms, Inc. Rt. 1, 181 E. Darby Rd. Dexter, NM 88230	1.2%	80%		
PoPo Enterprises, Inc. 2502 Riverlawn Kingwood, TX 77339	2%	80%		
SunValley Energy Corporation 200 W. First, Suite 200 Roswell, NM 88201	4.212%	80%		
Manzano Oil Corporation P.O. Box 2107 Roswell, NM 88202-2107	10.000% <u>13.532%</u> Total 23.532%	78.57% 80.00%		

D. State Lands
VA-1254 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 15: NW/4
containing 160.00 acres, more or less

State Lands
VA-1253 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 15: NE/4
containing 160.00 acres, more or less

State Lands
VA-1255 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 16: NE/4
containing 160.00 acres, more or less

State Lands
 VA-1256 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
 Section 16: SE/4
 containing 160.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Yates Petroleum Corporation 105 S. Fourth Street Artesia, NM 88210	70%	87.5%	State of NM - 12.5% RI	Expires: 8/1/1999
Yates Drilling Company 105 S. Fourth Street Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth Street Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth Street Artesia, NM 88210	10%			

E. State Lands
 V-4429 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
 Section 15: SW/4
 containing 160.00 acres, more or less

State Lands
 V-4413 Dated August 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
 Section 23: N/2
 containing 320.00 acres, more or less

State Lands
 V-4262 Dated January 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
 Section 26: SW/4
 containing 160.00 acres, more or less

State Lands
V-4403 Dated July 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 35: N/2N/2, S/2S/2
containing 160.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Yates Petroleum Corporation 105 S. Fourth Street Artesia, NM 88210	70%	83.33 %	State of NM - 16.67% RI	Expires: 1/1/1999 7/1/1999 8/1/1999
Yates Drilling Company 105 S. Fourth Street Artesia, NM 88210	10%			
Abo Petroleum Corporation 105 S. Fourth Street Artesia, NM 88210	10%			
Myco Industries, Inc. 105 S. Fourth Street Artesia, NM 88210	10%			

F. State Lands
V-4685 Dated July 1, 1995
Township 10 South, Range 37 East, N.M.P.M.
Section 16: W/2
containing 320.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
Cobra Exploration Company P.O. Box 8206 Wichita Falls, TX 76307	78%	79.33 %	State of NM - 16.67% RI	Expires: 7/1/2000
Kelley Oil Corporation 601 Jefferson Suite 1100 Houston, TX 77002	22%		Donald C. Fish, - 1% ORRI unknown marital status 1405 High Forest Dr. North Tuscaloosa, AL 35406 Jiri Klubal, - 1.5% ORRI unknown marital status 3300 Robin Ln. Wichita Falls, TX 76308	

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
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James R. Small, - 1.5 % ORRI
unknown marital status
301 N. Colorado
Suite 319
Midland, TX 79701

G. State Lands
V-4686 Dated July 1, 1995
Township 10 South, Range 37 East, N.M.P.M.
Section 17: N/2, N/2S/2
containing 480.00 acres, more or less

Charles L. House and his wife, Ellen M. House 401 W. Texas Suite 917 Midland, TX 79701	100%	83.33%	State of NM - 16.67%	Expires: 7/1/2000
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Comments

The records of Lea County contain an Assignment and Bill of Sale dated effective 12/1/1997 recorded in Book 841 Page 398 from Scana Petroleum Resources, Inc. to Kelley Oil Corporation wherein they conveyed all their right, title and interest covering the above described lands. Please be advised, the said Scana Petroleum Resources, Inc. never acquired any interest covering said lands. However, for notification purposes, you might send notices to those parties described above under State Lease V-4685 covering the W/2 of Section 16 as we believe this is probably the intention of the parties.

H. Fee Lands
Township 10 South, Range 37 East, N.M.P.M.
Section 17: S/2S/2
Section 35: S/2N/2, N/2S/2
containing 480.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
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Marbob Energy Corporation	50%	80%	Santa Fe Pacific - 1.5625% RI	Expires:
P.O. Drawer 227	50%	85%	Gold Corporation	10/02/2045
Artesia, NM 88211	Total 100%		P.O. Box 27019 Albuquerque, NM 87125	

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
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Santa Fe Energy - 9.21875% ORRI
Resources, Inc.
550 W. Texas
Suite 1330
Midland, TX 79701
(Burdens 50% of Marbob)

Santa Fe Energy - 6.71875% ORRI
Resources, Inc.
550 W. Texas
Suite 1330
Midland, TX 79701
(Burdens 50% of Marbob)

- I. State Lands
V-4390 Dated July 1, 1994
Township 10 South, Range 37 East, N.M.P.M.
Section 23: SW/4, N/2SE/4
containing 240.00 acres, more or less

LESSEE	INTEREST	N.R.I.	BURDENS	STATUS
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Maralo Inc. 5151 San Felipe Suite 400 Houston, TX 77056-3607	100%	82.08%	State of NM - 16.67% C. Shane Lough, 1.25% ORRI unknown marital status unknown address	Expires: 7/1/1999
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- J. State Lands
VA-892 Dated May 1, 1993
Township 10 South, Range 37 East, N.M.P.M.
Section 26: N/2NW/4, NW/4NE/4
containing 120.00 acres, more or less

State Lands
VA-1083 Dated November 1, 1993
Township 10 South, Range 37 East, N.M.P.M.
Section 26: S/2NW/4
containing 80.00 acres, more or less

<u>LESSEE</u>	<u>INTEREST</u>	<u>N.R.I.</u>	<u>BURDENS</u>	<u>STATUS</u>
Maralo Inc. 5151 San Felipe Suite 400 Houston, TX 77056-3607	100%	86.1875%	State of NM - 16.67% C. Shane Lough, 1.3125% ORRI unknown marital status unknown address	Expires: 5/1/1998 11/1/1998

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This completes the report. Please feel free to contact me at (505) 623-5400 with any questions or comments.

Sincerely,

Blaine Hess

BH/cl