

HAN-  
LEY



COMMERCIAL RESOURCES  
(505)-827-5724

SURFACE RESOURCES  
(505)-827-5793

MINERAL RESOURCES  
(505)-827-5744

ROYALTY  
(505)-827-5772

State of New Mexico  
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.  
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Santa Fe, New Mexico 87504-1148  
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ADMINISTRATIVE MGMT.  
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LEGAL  
(505)-827-5713

PLANNING  
(505)-827-5752

August 20, 1998

Campbell, Carr, Berge & Sheridan, P.A.  
P. O. Box 2208  
Santa Fe, New Mexico 87504-2208

Attention: Mr. William F. Carr

Re: Hanley Petroleum Inc.  
Request for Lease Extension  
New Mexico Oil and Gas Lease No. VA-880  
Lea County, New Mexico

Dear Mr. Carr:

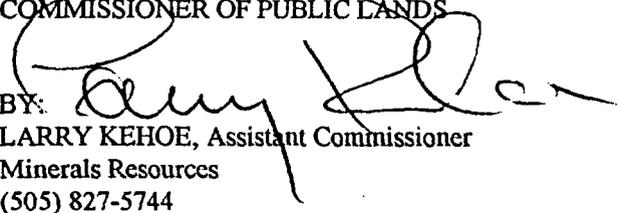
We are in receipt of your application of June 23, 1998 requesting an extension of State of New Mexico Oil and Gas Lease No. VA-880.

Please be advised that VA-880 will be considered active until the current drilling operations are concluded. Hanley is currently drilling the State 28 Well No. 2 located 2310 feet from the North line and 1650 feet from the West line (SE/4NW/4) of Section 28, Township 15 South, Range 35 East, NMPM to test the Strawn and Atoka formations. If the operations result in a producing well, the lease will be held by production. If, however, the well is not productive, then the lessee should conduct no further lease operations until the Oil Conservation Commission makes a decision on your hearing (Case No. 11724). If the Commission grants approval to the application and provides for a retroactive effective date before the cessation of drilling operations, then the lease has remained active and the term of the lease will continue as long as there is unit production. If the Commission denies the application or grants the application with an effective date after the cessation of drilling activities, then the lease will have expired on the date that the drilling operations ceased.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
LARRY KEHOE, Assistant Commissioner  
Minerals Resources  
(505) 827-5744

RP/LK/pm

pc: Reader File,  
Commissioner's File  
Larry Kehoe  
Gary Carlson

CERTIFICATION  
I certify that the foregoing instrument  
is a true and exact photocopy of the original in my custody and on file in the  
State Land Office.  
Date: 5/26/99

Letter dated 8/20/98  
to Campbell, Carr, Berge,  
& Sheridan, P.A.  
regarding Lease Extension  
of Lease No. VA-880.  
KOK.  
RAY POWELL/KOK  
Commissioner of Public Lands

BEFORE THE  
OIL CONSERVATION DIVISION

Santa Fe, New Mexico  
Case No. 12171 Exhibit No. 1  
Submitted by: Hanley Petroleum, Inc.  
Hearing Date: May 27, 1999

"WE WORK FOR EDUCATION"