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Via Fax

J. Scott Hall
Miller, Stratvert & Torgerson, P.A.
P.O. Box 1986
Santa Fe, New Mexico 87504

Re: West Lovington Strawn Unit

Dear Scott:

As you requested, I left out of the unit expansion application anything relating to Article 10.4 of the Unit Operating Agreement. As we discussed, I had originally inserted both Barney's "Draft VI," and the enclosed provision (which is my revision to Draft VI), as exhibits to the application. Article 10.4 will need to be addressed at the hearing. I will draft the notice letter broadly enough to cover any changes to this provision.

My concern about this issue is simply obtaining sufficient royalty owner ratifications to expand the unit. Without Snyder Ranches, Inc.'s ratification, the original unit and the first expansion could not have been accomplished.

Very truly yours,



James Bruce

**UNIT OPERATING AGREEMENT
WEST LOVINGTON STRAWN UNIT
LEA COUNTY, NEW MEXICO**

Article 10.4 Investment Adjustments.

Paragraph 2 (revised): All well completed in the Strawn formation within the Unit Area shall be Unit wells. If a well becoming a Unit well by virtue of expansion of the Unit Area has not reached payout status, as of the effective date of expansion, the owners or operator of such well shall (1) receive immediate payment, from the Working Interest Owners in the Unit, sufficient to reimburse one hundred (100) percent of well payout, and (2) recoup an additional amount in excess of 100% of payout proportionate to the ability of the well to produce for its initial six consecutive months of production as measured against the top pool allowable of 250 BOPD (the "Payout Multiple"). In no event shall payout plus the Payout Multiple exceed a total of 200% of actual payout costs.