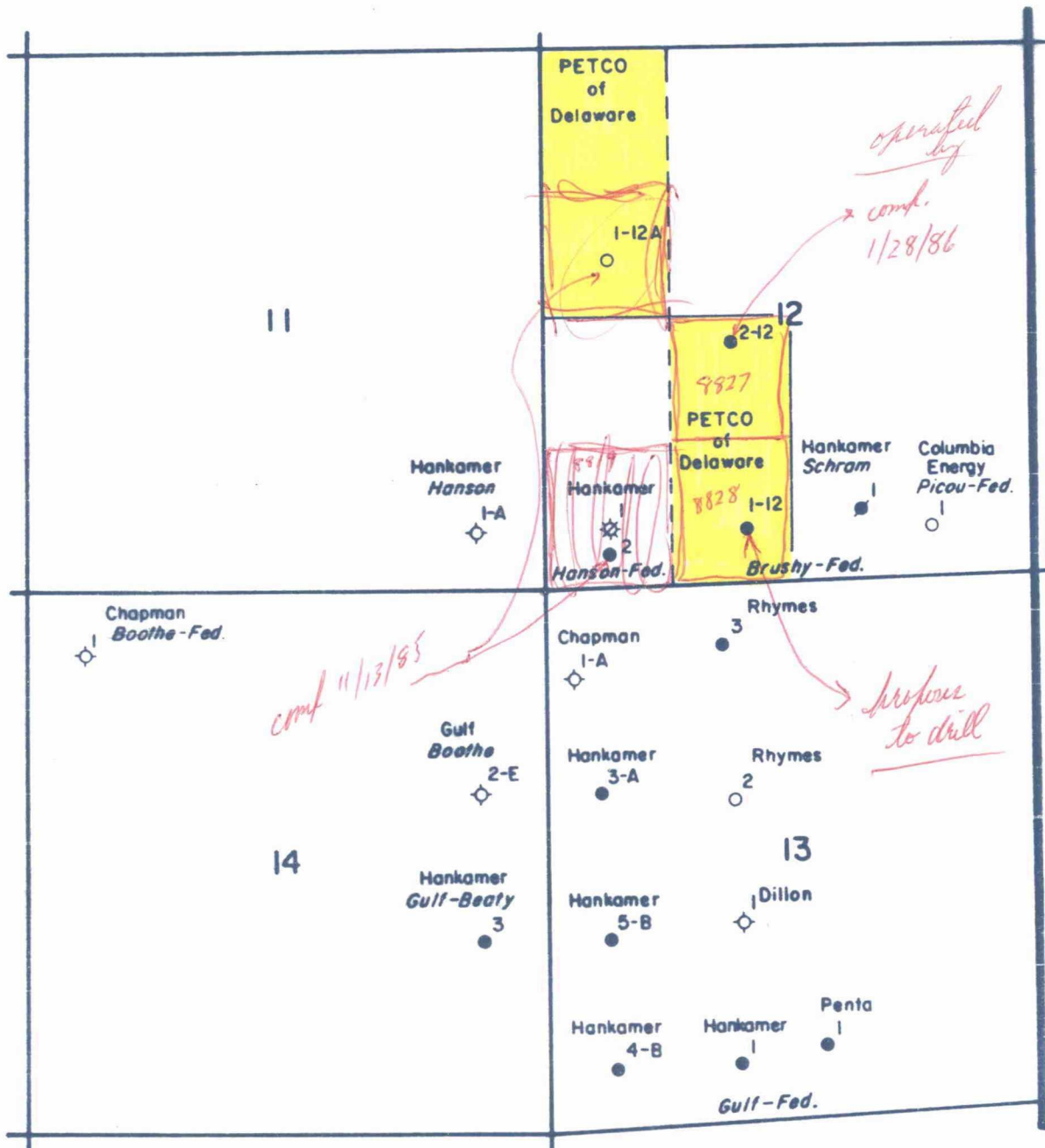


Exhibits 1 through 5
Complete set

R-29-E



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26
S

PETCO of Delaware

BRUSHY DRAW AREA

EDDY COUNTY, NEW MEXICO

Case Nos. 8819, 8827, 8828

EXHIBIT 1

SCALE



FEBRUARY, 1986

THE PETROLEUM CORPORATION
OF DELAWARE

3811 Turtle Creek Blvd.
Dallas, Texas 75219-4419

EXHIBIT 2

ESTIMATE OF COSTS

AUTHORIZATION FOR EXPENDITURE

Case Nos. 8819, 8827
18828

Page 1 of 2

Date: 8/26/85

AFE No.: NM-566

Authority is requested to

Drill and Equip: Brushy Federal 12 No. 1
Prospect Name: Brushy Draw
Location: 660' FSL & 1980' FWL of Section 12, T-26-S, R-29-W
County and State: Eddy County, New Mexico
Estimated Total Depth: 5,500'

SUMMARY OF ESTIMATED COST:

	Total Cost (100%)
<u>Completed Well Costs (Turnkey)</u>	
Intangible Drilling Cost	\$153,400
Tangible Drilling Cost	56,900
Intangible Completion Cost	65,300
Lease Equipment and Installation	88,000
Total Completed Cost	<u>\$363,600</u>
<u>Dry Hole Costs</u>	
Intangible Drilling Cost	\$141,900
Tangible Drilling Cost	4,600
Total Dry Hole Cost	<u>\$146,500</u>
Geological-Land-Legal	<u>-</u>

INTERNAL APPROVAL:

Prepared By:	Date:	Approved By:	Date:
Howard W. Shaw	8/26/85	 Howard W. Shaw	August 26, 1985

NONOPERATOR APPROVAL:

By execution hereof, the undersigned recognizes and acknowledges that the above cost figures are estimates only, and that the undersigned is responsible for its or his share of the actual costs incurred even if such actual costs exceed said estimates.

Interest Owner	Working Interest (%)	Net Amount (\$)	Approved	Date
The Petroleum Corporation	53.125	\$193,162.50		
MoKeen Partnership, Ltd.	46.875	170,437.50		
TOTAL	100.000000%	<u>\$363,600.00</u>		

THE PETROLEUM CORPORATION
OF DELAWARE

3811 Turtle Creek Blvd.
Dallas, Texas 75219-4419

Page 2 of 2

Detail Estimate of Costs

Well Name: Brushy Federal 12 No. 1
Prospect Name: Brushy Draw
Estimated Total Depth: 5,500'

Date: August 26, 1985

AFE No.: NM-566

<u>Item and Description</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Completed Well Cost</u>	<u>Dry Hole Cost</u>
INTANGIBLE DRILLING COSTS:				
Drilling Cost - Rotary Turnkey			\$ 125,000	\$ 125,000
Day Work - Rotary	days		-	-
Labor - Company and Contract			-	-
Transportation and Inspection			1,000	1,000
Bridges, Roads, Locations, Etc.			10,000	7,000
Rental Equipment			1,500	-
Fuel, Water and Power			-	-
Bits and Coreheads - Mud Loggers			-	-
Drilling Fluids			-	-
Surveys and Logging			-	-
Cement and Cementing Services			-	-
Testing (Drill Stem)			-	-
Well Control Insurance			-	-
Core Analysis			-	-
Geological and Engineering			4,400	4,400
District and Overhead Expense			4,500	4,500
Miscellaneous and Unforeseen			7,000	-
Total Intangible Drilling Costs			\$ 153,400	\$ 141,900
TANGIBLE DRILLING COSTS:				
Casing - 8 5/8"	500 feet	\$ 8.00	\$ 4,000	\$ 4,000
Casing - 5 1/2"	5,500 feet	5.50	30,300	-
Casing -	feet		-	-
Tubing - 2 7/8" EUE	5,500 feet	3.00	16,500	-
Subsurface Equipment			3,000	-
Well Head Equipment			3,100	600
Miscellaneous			-	-
Total Tangible Drilling Costs			\$ 56,900	\$ 4,600
INTANGIBLE COMPLETION COSTS:				
Day Work	5 days	\$ 1,500	\$ 7,500	\$ -
Contract Labor			2,000	-
Engineering Services			2,800	-
Perforating and Bond Log			3,000	-
Stimulation Treatment			42,000	-
Cement and Cementing			5,500	-
Contract Services			-	-
Transportation			2,500	-
Total Intangible Completion Costs			\$ 65,300	-
TANGIBLE INSTALLATION AND LEASE EQUIPMENT COSTS:				
Tanks, Separators, Etc.			\$ 10,000	-
Heater Treater, Flow Line Heater, LTX, Etc.			6,000	-
Lease Lines			4,000	-
Other Major Expense Pumping Equip. & Rods			45,000	-
Miscellaneous Connections & Contingency			17,000	-
Installation			6,000	-
Total Tangible Installation Cost			\$ 88,000	-
TOTAL AFE COST			363,600	\$ 146,500

THE PETROLEUM CORPORATION
OF DELAWARE

3811 Turtle Creek Blvd.
Dallas, Texas 75219-4419

EXHIBIT 3

Case Nos. 8819,
8827 & 8828

ESTIMATE OF COSTS

AUTHORIZATION FOR EXPENDITURE

Page 1 of 2

Date: November 27, 1985

AFE No.: NM-568

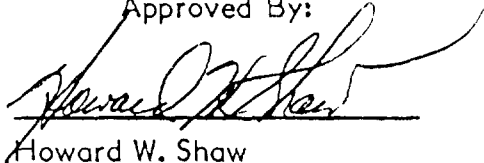
Authority is requested to

Drill and Equip: Brushy 12 Federal No. 2
Prospect Name: Brushy Draw
Location: 1,892' FWL and 2,015' FSL of Section 12, T-26-S, R-29-E
County and State: Eddy County, New Mexico
Estimated Total Depth: 5,500'

SUMMARY OF ESTIMATED COST:

	Total Cost (100%)
<u>Completed Well Costs</u>	
Intangible Drilling Cost	\$193,400
Tangible Drilling Cost	59,775
Intangible Completion Cost	59,400
Lease Equipment and Installation	76,000
Total Completed Cost	<u>\$388,575</u>
<u>Dry Hole Costs</u>	
Intangible Drilling Cost	\$177,900
Tangible Drilling Cost	7,475
Total Dry Hole Cost	<u>\$185,375</u>
Geological-Land-Legal	<u>-</u>

INTERNAL APPROVAL:

Prepared By:	Date:	Approved By:	Date:
Howard W. Shaw	11/27/85	 Howard W. Shaw	November 27, 1985

NONOPERATOR APPROVAL:

By execution hereof, the undersigned recognizes and acknowledges that the above cost figures are estimates only, and that the undersigned is responsible for its or his share of the actual costs incurred even if such actual costs exceed said estimates.

Interest Owner	Working Interest (%)	Net Amount (\$)	Approved	Date
The Petroleum Corporation	53.125	\$206,430.47		
MoKeen Limited Partnership	46.875	182,144.53		
TOTAL	<u>100.000%</u>	<u>\$388,575.00</u>		

— THE PETROLEUM CORPORATION
OF DELAWARE

3811 Turtle Creek Blvd.
Dallas, Texas 75219-4419

Page 2 of 2

Detail Estimate of Costs

Well Name: Brushy 12 Federal No. 2
Prospect Name: Brushy Draw
Estimated Total Depth: 5,500'

Date: November 27, 1985

AFE No.: NM-568

<u>Item and Description</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Completed Well Cost</u>	<u>Dry Hole Cost</u>
INTANGIBLE DRILLING COSTS:				
Drilling Cost - Rotary Turnkey			\$ 150,000	\$ 150,000
Day Work - Rotary	days		-	-
Labor - Company and Contract			-	-
Transportation and Inspection			1,000	1,000
Bridges, Roads, Locations, Etc.			15,000	12,000
Rental Equipment			2,500	-
Fuel, Water and Power			-	-
Bits and Coreheads - Mud Loggers			-	-
Drilling Fluids			1,000	-
Surveys and Logging			-	-
Cement and Cementing Services			-	-
Testing (Drill Stem)			-	-
Well Control Insurance			3,000	3,000
Core Analysis			2,400	2,400
Geological and Engineering			5,000	5,000
District and Overhead Expense			4,500	4,500
Miscellaneous and Unforeseen			9,000	-
Total Intangible Drilling Costs			<u>\$ 193,400</u>	<u>\$ 177,900</u>
TANGIBLE DRILLING COSTS:				
Casing - 8 5/8" 24# J-55 STC	750 feet	\$ 8.50	\$ 6,375	\$ 6,375
Casing - 5 1/2" 15.5# K-55	5,500 feet	5.50	30,300	-
Tubing	5,500 feet	3.00	16,500	-
Subsurface Equipment			3,500	500
Well Head Equipment			3,100	600
Miscellaneous			-	-
Total Tangible Drilling Costs			<u>\$ 59,775</u>	<u>\$ 7,475</u>
INTANGIBLE COMPLETION COSTS:				
Day Work	7 days	\$ 1,500	\$ 10,500	\$ -
Contract Labor			2,000	-
Engineering Services			3,400	-
Perforating and Bond Log			3,000	-
Stimulation Treatment			22,000	-
Cement and Cementing			16,000	-
Contract Services			-	-
Transportation			2,500	-
Total Intangible Completion Costs			<u>\$ 59,400</u>	<u>-</u>
TANGIBLE INSTALLATION AND LEASE EQUIPMENT COSTS:				
Tanks, Separators, Etc.			\$ 6,000	-
Heater Treater, Flow Line Heater, LTX, Etc.			-	-
Lease Lines			4,000	-
Other Major Expense Pumping Equip. & Rods			45,000	-
Miscellaneous Connections & Contingency			17,000	-
Installation			4,000	-
Total Tangible Installation Cost			<u>\$ 76,000</u>	<u>\$ -</u>
TOTAL AFE COST			<u><u>\$ 388,575</u></u>	<u><u>\$ 185,375</u></u>

**THE PETROLEUM CORPORATION
OF DELAWARE**

3811 Turtle Creek Blvd.
Dallas, Texas 75219-4419

ESTIMATE OF COSTS

AUTHORIZATION FOR EXPENDITURE

Page 1 of 2

Date: February 14, 1986

AFE No.: NM-570

Authority is requested to

Drill and Complete:	Brushy 12-A Federal No. 1
Prospect Name:	Brushy Draw
Location:	630' FWL and 2,021' FNL of Section 12, T-26-S, R-29-E
County and State:	Eddy County, New Mexico
Estimated Total Depth:	5,500'

SUMMARY OF ESTIMATED COST:

Total Cost
(100%)

Completed Well Costs

Intangible Drilling Cost	\$140,000
Tangible Drilling Cost	51,700
Intangible Completion Cost	61,500
Lease Equipment and Installation	<u>68,500</u>
Total Completed Cost	<u><u>\$321,700</u></u>

Dry Hole Costs

Intangible Drilling Cost	\$132,500
Tangible Drilling Cost	<u>8,000</u>
Total Dry Hole Cost	<u><u>\$140,500</u></u>

Geological-Land-Legal

-

INTERNAL APPROVAL:

Prepared By:

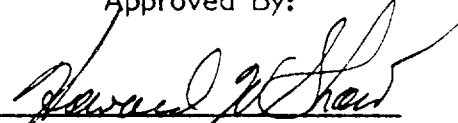
Date:

Approved By:

Date:

Howard W. Shaw

2/13/86


Howard W. Shaw

February 14, 1986

NONOPERATOR APPROVAL:

By execution hereof, the undersigned recognizes and acknowledges that the above cost figures are estimates only, and that the undersigned is responsible for its or his share of the actual costs incurred even if such actual costs exceed said estimates.

<u>Interest Owner</u>	<u>Working Interest (%)</u>	<u>Net (DHC) Amount (\$)</u>	<u>Compl. & Equip. (\$)</u>	<u>Approved</u>	<u>Date</u>
The Petroleum Corp.	53.125	\$ 74,640.63	\$170,903.13		
MoKeen Limited Part	42.000	59,010.00	135,114.00		
John F. Green, Jr.	<u>4.875</u>	<u>6,849.37</u>	<u>15,682.87</u>		
TOTAL	<u><u>100.000%</u></u>	<u><u>\$140,500.00</u></u>	<u><u>\$321,700.00</u></u>		

**THE PETROLEUM CORPORATION
OF DELAWARE**

3811 Turtle Creek Blvd.
Dallas, Texas 75219-4419

Page 2 of 2

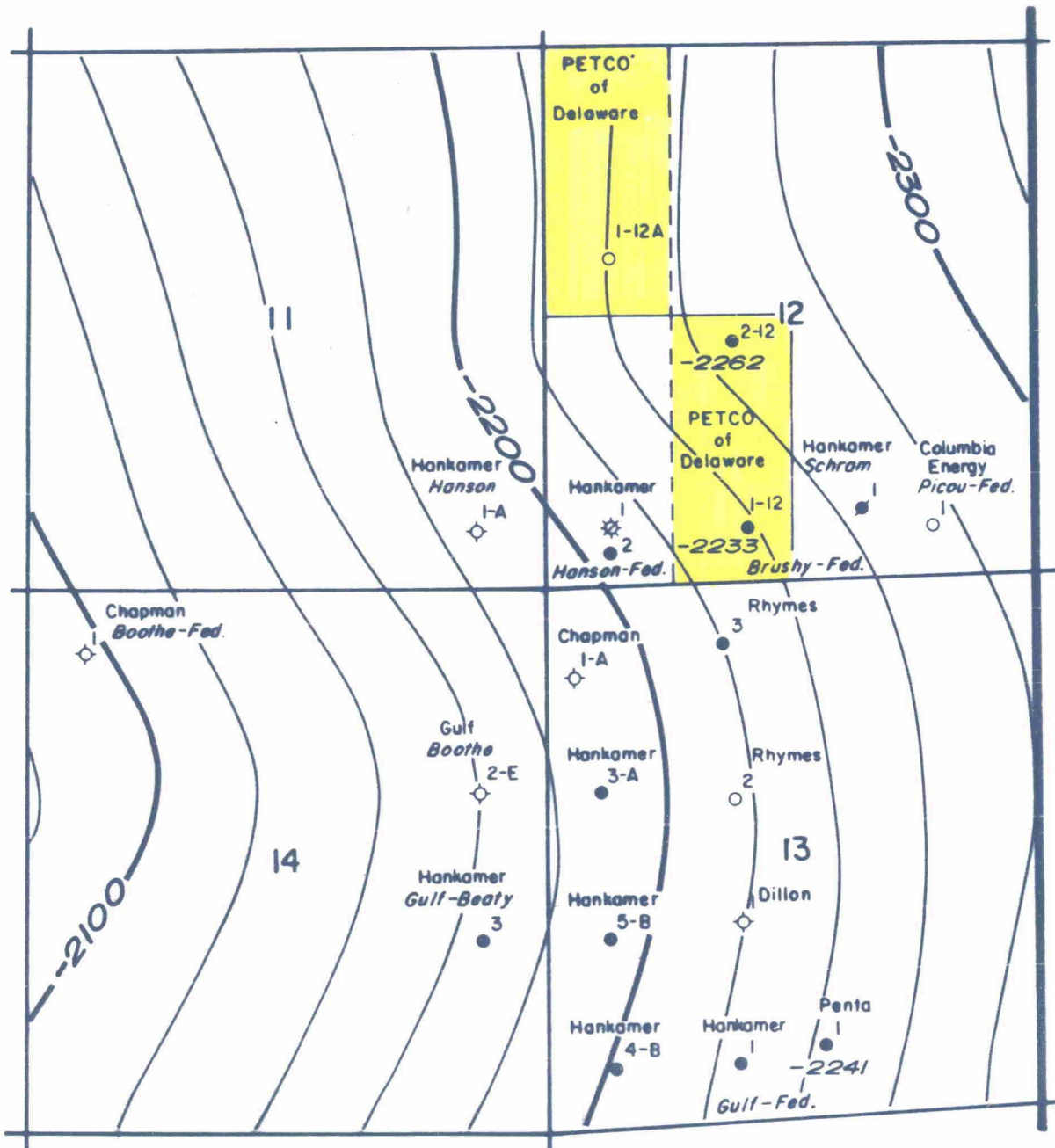
**Detail Estimate of Costs
AUTHORIZATION FOR EXPENDITURE**

Well Name: **Brushy 12-A Federal No. 1**
Prospect Name: **Brushy Draw**
Estimated Total Depth: **5,500'**

Date: **2/14/86**
AFE No.: **NM-570**

<u>Item and Description</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Completed Well Cost</u>	<u>Dry Hole Cost</u>
INTANGIBLE DRILLING COSTS:				
Drilling Cost - Rotary Turnkey		\$	\$ 109,000	\$ 109,000
Day Work - Rotary	1 day	4,000	4,000	-
Labor - Company and Contract			-	-
Transportation and Inspection			-	-
Bridges, Roads, Locations, Etc.			6,000	6,000
Rental Equipment			3,000	-
Fuel, Water and Power			-	-
Bits and Coreheads			1,000	-
Drilling Fluids			1,000	-
Surveys and Logging			-	-
Cement and Cementing Services			-	2,000
Testing (Drill Stem)			-	-
Well Control Insurance			3,000	3,000
Core Analysis			-	-
Geological and Engineering			2,000	2,000
District and Overhead Expense			4,500	4,500
Miscellaneous and Unforeseen			6,500	6,000
Total Intangible Drilling Costs			<u>\$ 140,000</u>	<u>\$ 132,500</u>
TANGIBLE DRILLING COSTS:				
Casing - 8 5/8" 24# J-55 STC	720 feet	\$ 8.00	\$ 5,800	\$ 5,800
Casing - 5 1/2" 15.5# J-55 STC	5,500 feet	4.75	26,200	-
Tubing - 2-7/8" EUE 6.5# N-80 Used	5,500 feet	2.00	11,000	-
Subsurface Equipment			3,500	500
Well Head Equipment			2,700	1,200
Miscellaneous			2,500	500
Total Tangible Drilling Costs			<u>\$ 51,700</u>	<u>\$ 8,000</u>
INTANGIBLE COMPLETION COSTS:				
Day Work	7 days	\$ 1,500	\$ 10,500	\$ -
Contract Labor			4,000	-
Engineering Services			4,000	-
Perforating and Bond Log			3,000	-
Stimulation Treatment			22,000	-
Cement and Cementing			16,000	-
Contract Services			-	-
Transportation			2,000	-
Total Intangible Completion Costs			<u>\$ 61,500</u>	<u>-</u>
TANGIBLE INSTALLATION AND LEASE EQUIPMENT COSTS:				
Tanks, Separators, Etc.			\$ 5,000	-
Heater Treater, Flow Line Heater, LTX, Etc.			3,000	-
Lease Lines			4,000	-
Other Major Expense Pumping Equip. & Rods			45,000	-
Miscellaneous Connections & Contingency			7,500	-
Installation			4,000	-
Total Tangible Installation Cost			<u>\$ 68,500</u>	<u>\$ -</u>
TOTAL AFE COST			<u>\$ 321,700</u>	<u>140,500</u>

R-29-E



Case Nos. 8819, 8827, 8828

EXHIBIT 5

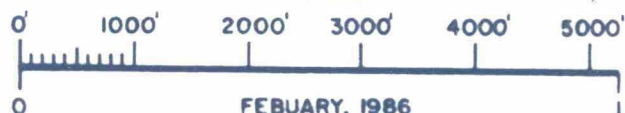
PETCO of Delaware

BRUSHY DRAW AREA

EDDY COUNTY, NEW MEXICO
CONTOURED ON:

TOP OF WILLIAMSON

CONTOUR INTERVAL= 20'
SCALE



THE PETROLEUM CORPORATION
OF DELAWARE

Turtle Creek Centre
3811 Turtle Creek Boulevard
DALLAS, TEXAS 75219-4419

September 3, 1985

Nu-Energy O&G Inc.
1217 E. 4th St.
North Vancouver, BC V7J1G8

Attn: ~~Cecil S. Walker~~ *Fred Davidson*

RE: Brushy Draw Prospect
Designation of Operator
LC-071066
Eddy County, New Mexico

Gentlemen:

Pursuant to our telephone conversation, enclosed for your review and approval, please find five (5) copies of Designation of Operator in favor of The Petroleum Corporation of Delaware covering the SW/4 of Section 12, T 26 S, R 29 E.

In order to expedite our drilling plans, we ask that you forward three (3) executed copies to the Bureau of Land Management, P.O. Box 1778, Carlsbad, New Mexico 88220, Attention: Mr. Bob Pitske, retain one (1) copy for your files and return one (1) copy to this office.

Thank you for your cooperation regarding this matter, and should you require anything further, please let us know.

Very truly yours,

Fred L. Ward / bjw

Fred L. Ward
Vice President

FLW/jw
Enclosures

*Case Nos 8819, 8827, 8828
Exhibit 6*

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: **New Mexico**
SERIAL NO.: **LC-071066**

and hereby designates

NAME: **The Petroleum Corporation of Delaware**
ADDRESS: **3811 Turtle Creek Blvd., Suite 350**
Dallas, Texas 75219

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

Township 26 South, Range 29 East
Section 12: **SW/4**
containing **160.00 acres, more or less**
Eddy County, New Mexico

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

Nu-Energy O&G Inc.

BY:

(Signature of lessee)

September , 1985

1217 E. 4th St.
North Vancouver, BC V7J1G8

(Address)

THE PETROLEUM CORPORATION
OF DELAWARE

Turtle Creek Centre
3811 Turtle Creek Boulevard
DALLAS, TEXAS 75219-4419

FRED L. WARD
VICE PRESIDENT - LAND

November 26, 1985

SEE LIST OF ADDRESSEES

RE: Brushy Draw Prospect
Designation of Operator
NM - 50915 and 11039
Eddy County, New Mexico

Gentlemen:

In order to proceed with our drilling plans in an expeditious manner, we enclose for your review and approval, four (4) copies each of Designation of Operator in favor of The Petroleum Corporation of Delaware relevant to the two subject leases.

We ask that you return three (3) originals for further handling with the Bureau of Land Management.

Should you have any questions, please feel free to contact us at 214-528-5461.

Yours very truly,



Fred L. Ward
Vice President

FLW/jw
Enclosures
cc: w/attachments

Total Eastcan Exploration, Ltd.
112 4th Avenue, S.W., Suite 800
Calgary, Alberta, Canada T2P 0H3

Attn: Mr. Sandy Dewar

Exhibit 7
Case Nos. 8819, 8827,
8828

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: New Mexico

SERIAL NO.: NM - 50915

and hereby designates

NAME: THE PETROLEUM CORPORATION OF DELAWARE

ADDRESS: 3811 Turtle Creek Blvd., Suite 350
Dallas, Texas 75219

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

Township 26 South, Range 29 East, N.M.P.M.

Section 12: SW/4 NE/4, W/2 SE/4
containing 120 acres, more or less
Eddy County, New Mexico

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

Nu-Energy oil & Gas, Inc.

By:

(Signature of lessee)

December , 1985

(Date)

1217 East 4th Street

North Vancouver, BC V7J1G8

(Address)

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: New Mexico
SERIAL NO.: NM - 11039

and hereby designates

NAME: THE PETROLEUM CORPORATION OF DELAWARE
ADDRESS: 3811 Turtle Creek Blvd., Suite 350
Dallas, Texas 75219

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

Township 26 South, Range 29 East, N.M.P.M.
Section 11: E/2 NW/4, N/2 NE/4, SE/4 NE/4
Section 12: NW/4
Containing 360.00 acres, more or less
Eddy County, New Mexico

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

Nu-Energy Oil & Gas, Inc.

By: _____
(Signature of lessee)

December , 1985
(Date)

1217 East 4th Street

North Vancouver, BC V7J1G8
(Address)

THE PETROLEUM CORPORATION
OF DELAWARE

Turtle Creek Centre
3811 Turtle Creek Boulevard
DALLAS, TEXAS 75219-4419

FRED L. WARD
VICE PRESIDENT - LAND

December 12, 1985

Nu-Energy Oil & Gas, Inc.
1217 East 4th Street
North Vancouver, BC V7J 1G8

Attn: Mr. Fred Davidson

RE: Brushy Draw Prospect
Brushy 12 Federal No. 1
Eddy County, New Mexico

*Received on
12-13-85 -
confirmed by
telephone
w/ Federal
12-13-85*

Gentlemen:

On September 3, 1985, prior to the drilling of the Brushy 12 Federal No. 1, situated in the SE/4 SW/4 of Section 12, T 26 S, R 29 E, this office contacted you in an attempt to negotiate a farmin of Nu-Energy's 2.5% working interest in the subject land. Further, on the same date, we forwarded to you Designation of Operator in favor of The Petroleum Corporation of Delaware covering the SW/4 of Section 12, T 26 S, R 29 E (BLM lease LC - 071066). As of this date we have not received the executed Designation of Operator nor, have we received any correspondence or communications regarding the possible farmin of Nu-Energy's 2.5% working interest.

The Petroleum Corporation of Delaware, as operator, spudded the Brushy 12 Federal No. 1 on October 5, 1985 and completed same on November 2, 1985. As a result, we are preparing location for the drilling of the Brushy 12 Federal No. 2 well which will be located in the NE/4 SW/4 of Section 12, T 26 S, R 29 E. Again, we enclose, in quadruplicate, Designation of Operator in favor of The Petroleum Corporation of Delaware covering BLM lease LC - 071066). We ask that you execute and return three (3) originals for further handling with the BLM.

Inasmuch as Nu-Energy owns record title to 2.5% working interest in BLM lease LC - 071066, as well as NM - 11039, NM - 50914 and NM - 50915, The Petroleum Corporation of Delaware respectfully requests that Nu-Energy elect one of the following two options:

1. Farmout your interest under the same terms and conditions as did Southwest Gas Systems, Inc., et al as evidenced by the enclosed Farmout Agreement dated June 7, 1985, as amended.
2. Join in the execution of that certain Operating Agreement dated September 5, 1985 in which Nu-Energy would be afforded the

*Exhibit 8
Case Nos. 8819, 8827, 8828*

December 12, 1985
Page Two

opportunity to participate in the drilling of each well as to its proportionate 2.5% working interest or elect to be a non-consenting party as provided for therein (copy attached for your immediate reference).

If we do not receive a response from your office, either written or verbal, within ten (10) days from the receipt hereof, our only alternative, as required by New Mexico law, will be to instigate force pooling proceedings.

Should you have any questions, please feel free to contact the undersigned at 214-528-5461.

Yours very truly,

A handwritten signature in black ink, appearing to read "Fred L. Ward", written in a cursive style.

Fred L. Ward
Vice President

FLW/jw
Enclosure

bcc: Jeffrey Hewett
Howard Shaw
Marion Spitler

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: New Mexico

SERIAL No.:

LC - 071066

and hereby designates

NAME:

The Petroleum Corporation of Delaware

ADDRESS:

3811 Turtle Creek Blvd., Suite #350

Dallas, Texas 75219

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

Township 26 South, Range 29 East

Section 12: E/2 SW/4

containing 80.00 acres, more or less

Eddy County, New Mexico

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

Nu-Energy Oil & Gas, Inc.

By: _____

(Signature of lessee)

December _____, 1985

(Date)

1217 East 4th Street

North Vancouver, B.C. V7J 1G8