

UNDERWOOD PETROLEUM CORPORATION
D. W. UNDERWOOD
P. O. Box 7109
Midland, Texas 79708-0109

682-1145

March 7, 1990

Re: Progress report - Wallace Gladiola leftover oil

We are delighted with the cooperation and reception of the mineral owners to our planned development of the captioned field. Today we have leases from 13 owners covering 67+ % of the 280 acres.

A few owners have asked for a royalty greater than the 1/8 initially offered. We selected the 1/8 hoping to prolong the economic life of the leases. The wells will not doubt require plugging again when water handling costs exceed working interest income. Royalty payments will stop at that time.

The enclosed lease form has an added paragraph which will increase your royalty in the event we subsequently accept a lease with a royalty greater than 1/8. However, we hope everyone will agree to a 1/8 royalty, allowing for a maximum life for the leases.

Our commence or quit date is July 4, 1990. We will appreciate your consideration.

Sincerely,

D. W. Underwood

CASE NO. 9957

C. W. TRAINER EXHIBIT # 7

BEFORE EXAMINER STOGNER