



10475

RAY POWELL, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

August 2, 1996

Elk Oil Company
Post Office Box 310
Roswell, New Mexico 88202

Attn: Mr. Joseph J. Kelly

Re: Voluntary Termination
South Lone Wolf Unit
Chaves County, New Mexico

Dear Mr. Kelly:

We have received your letter of July 18, 1996, wherein as unit operator of the South Lone Wolf Unit, Chaves County, New Mexico, you have requested our approval to voluntarily terminate this Unit Agreement. It is our understanding that a majority of the working interest owners and overriding interest owners have consented to your decision.

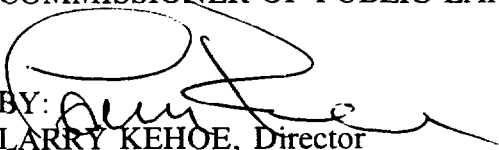
Pursuant to Section 20, EFFECTIVE DATE AND TERM of the unit agreement, please be advised that the South Lone Wolf Unit Agreement has this date been terminated effective August 1, 1996. This action is subject to like approval by the Bureau of Land Management.

Please advise all interested parties of this action.

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, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LK/pm

cc: Reader File OCD--Roy Johnson Commissioner's File
TRD--Valdean Severson BLM--Mr. Armando Lopez

AMENDED REPORT -EFFECTIVE DATE SHOULD BE JUNE 28, 1992

UNIT NAME: SOUTH LONE WOLF UNIT
OPERATOR: TERRA ENERGY LTD.- D/B/A RACHAEL EXPLORATION
COUNTY: CHAVES

DATE	OCD CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL-INDIAN	FEE	SEG CLAUSE	TERM
6/23/92	6/28/92	1960.00	680.00	1280.00	0	MODIFIED	5 YEARS & SO LONG AS	

THIRD WELL ON UNIT SHOULD BE DRILLED ON STATE LANDS

.D: 6/17/92, CASE NO. 10475, ORDER NO. R-9683
CPL: 6/23/92
BLM: 6/28/92

UNIT AREA:

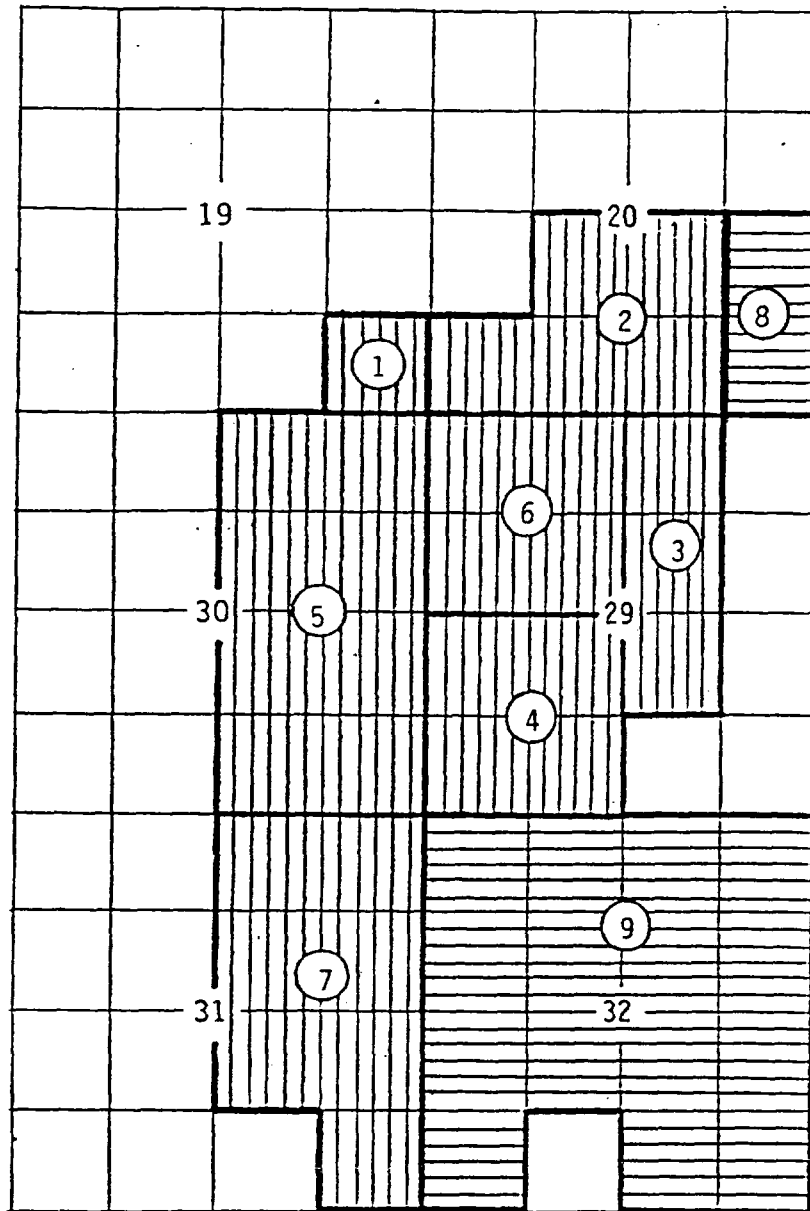
TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

Section 19: SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 20: SW $\frac{1}{4}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 29: W $\frac{1}{2}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 30: E $\frac{1}{2}$
Section 31: NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 32: W $\frac{1}{2}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

TERMINATED
EFFECTIVE DATE 8-1-96
APPROVAL DATE 8-2-96
Voluntary Termination

South Lone Wolf Unit

T13S-R29E, Chaves County, New Mexico



 - Federal Minerals

 - State Minerals

 - Tract Number

TERMINATED
EFFECTIVE DATE 8-1-96
APPROVAL DATE 8-2-96

EXHIBIT "B" SCHEDULE OF OWNERSHIP
SCHEDULE SHOWING ALL LANDS AND LEASES
WITHIN THE SOUTH LONE WOLF UNIT
CHAVES COUNTY, NEW MEXICO

Tract No.	Description of Lands	Acres	Serial Number and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	
							Before Payout	After Payout
1	T-13-S, R-29-E, NMJM Sec. 19: SE/4SE/4	40.00	NM 54287 02-01-93	BLM 12.5%	Terra Energy Ltd.	Edward D. Barham and Judy O. Barham, his wife 52.50% Thomas E. Jennings 0.333% Timothy Z. Jennings 0.334% Phillip L. White 0.333% Terra Energy Ltd. 0.696%	Terra Energy Ltd. 29.330% Thomas F. Adams 0.667% Robert M. Boeve 1.667% Embryo Limited Partnership 0.667% Paul A. Halpern 0.667% Alan J. Kostzews 0.167% Teddy Krol 0.667% Manne Energy Corp. 6.667% Ronnie R. Shaw 0.667% Wayne A. Stenberg 1.000% Craig J. Tester 0.667% Lee Roy Traylor 0.667%	Terra Energy Ltd. 29.330% Thomas F. Adams 0.667% Robert M. Boeve 1.667% Embryo Limited Partnership 0.667% Paul A. Halpern 0.667% Alan J. Kostzews 0.167% Teddy Krol 0.667% Manne Energy Corp. 6.667% Ronnie R. Shaw 0.667% Wayne A. Stenberg 1.000% Craig J. Tester 0.667% Lee Roy Traylor 0.667%
							Leonard J. Scherock, Trustee 1.667% Donald E. Yohe, Trustee 31.333% Don Yohe Enterprises, Inc. 1.333% Daniel B. Yohe 0.667%	Leonard J. Scherock, Trustee 1.667% Donald E. Yohe, Trustee 31.333% Don Yohe Enterprises, Inc. 1.333% Daniel B. Yohe 0.667%

TERMINATED
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2	T-13-S, R-29-E, N-M-P-M Sec. 20: SW/4 SW/4, E/2 SW/4, W/2 SE/4	200.00	NM 54287 02-01-93	BLM 12.5%	Terra Energy Ltd.	Same as Tract 1	J. R. Elenbaas, d/b/a J. R. Elenbaas Investments 3.000%	J. R. Elenbaas, d/b/a J. R. Elenbaas Investments 3.000%
							Scandia Energy Company, Inc. 2.000%	Scandia Energy Company, Inc. 2.000%
							Entek Corporation 1.000%	Entek Corporation 1.000%
							Gary Worman 0.500%	Gary Worman 0.500%
							NMR Inc. 1.250%	NMR Inc. 1.250%
							Stephen W. Speer 2.250%	Stephen W. Speer 2.250%
							Keith Harden Cornick, d/b/a North Hawk 7.475%	Keith Harden Cornick, d/b/a North Hawk 7.475%
							H. Charles Nelson, d/b/a Park Lane Investments 1.341667%	H. Charles Nelson, d/b/a Park Lane Investments 1.341667%
							William F. Rolinski, d/b/a Section 29 Investments 1.341666%	William F. Rolinski, d/b/a Section 29 Investments 1.341666%
							R. David Briney, d/b/a Hoosier Energy 1.341667%	R. David Briney, d/b/a Hoosier Energy 1.341667%
3	T-13-S, R-29-E, N-M-P-M Sec. 29: W/2 NE/4, NW/4 SE/4	120.00	NM 80644 02-01-94	BLM 12.5%	Terra Energy Ltd.	Amoco Production Company 62.50% Terra Energy Ltd. 0.883%	Same as Tract 1	Same as Tract 1

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4	T-13-S, R-29-E, NM/PM Sec. 29; SW/4	160.00	NM 68651 08-01-97	BLM 12.5%	Terra Energy Ltd.	Lane Lasrich 1.500% Robert L. Thornton 1.500% Amoco Production Company 3.250% Terra Energy Ltd. 0.883%	Same as Tract 1	Same as Tract 1
5	T-13-S, R-29-E, NM/PM Sec. 30; E/2	320.00	NM 70215 01-01-98	BLM 12.5%	Terra Energy Ltd.	Kal Zeif 5.000% Amoco Production Company 1.250% Terra Energy Ltd. 0.883%	Same as Tract 1	Same as Tract 1
6	T-13-S, R-29-E, NM/PM Sec. 29; N/2 NW/4, SW/4 NW/4	120.00	NM 70215 01-01-98	BLM 12.5%	Terra Energy Ltd.	Kal Zeif 5.000% Amoco Production Company 1.250% Terra Energy Ltd. 0.883%	Same as Tract 1	Same as Tract 1
6a	T-13-S, R-29-E, NM/PM Sec. 29; SE/4 NW/4	40.00	NM 70215 01-01-98	BLM 12.5%	Terra Energy Ltd.	Kal Zeif 5.000% Amoco Production Company 1.250% Terra Energy Ltd. 2.253%	Terra Energy Ltd. 4.750% Thomas F. Adams 1.000% Robert M. Boeve 2.500% Embryo Limited Partnership 1.000%	Terra Energy Ltd. 29.330% Thomas F. Adams 0.667% Robert M. Boeve 1.667% Embryo Limited Partnership 0.667% Paul A. Halpern 1.000% Alan J. Kostzewa 0.167%

Tract No.	Description of Lands	Acres	Serial Number and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	
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Tract No.	Description of Lands	Acres	Serial Number and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	
							Before Payout	After Payout
6a cont'd								
7	T-13-S, R-29-E, NM/PM Sec. 31: NE/4, N/2 SE/4, SE/4 SE/4	280.00	NM 70215 01-01-98	BLM 12.5%	Terra Energy Ltd.	Kal Zeff 5.000% Amoco Production Company 1.250% Terra Energy Ltd. 0.833%	Same as Tract 1	Same as Tract 1
8	T-13-S, R-29-E, NM/PM Sec. 20: E/2 SE/4	80.00	V-2809 01-01-94	State of New Mexico 1/6	Terra Energy Ltd.	Amoco Production Company 2.833% Terra Energy Ltd. 0.353%	Same as Tract 1	Same as Tract 1
9	T-13-S, R-29-E, NM/PM Sec. 32: N/2, N/2 SW/4, SW/4 SW/4, SE/4	600.00	V-3815 09-01-96	State of New Mexico 1/6	Terra Energy Ltd.	Terra Energy Ltd. 1.856%	Same as Tract 1	Same as Tract 1
	TOTAL ACREAGE	1,960.00						

RECAPITULATION

Total Federal Acreage	1,280.00 acres	or	65.31%
Total State Acreage	680.00 acres	or	34.69%
Total Unit Acreage	1,960.00		100.00%



MAY 24 1996

CONSERVATION DIVISION

RAY POWELL, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

May 20, 1996

Elk Oil Company
Box 310
Roswell, New Mexico 88202

Attn: Mr. Joseph J. Kelly

Re: South Lone Wolf Unit
First Revision Devonian Participating Area
N2NW4, SW4NW4, SW4, Section 29-13S-29E
Chaves County, New Mexico

Dear Mr. Kelly:

We received your letter of March 22, 1996, requesting approval of the First Revision to the Devonian Participating Area for the South Lone Wolf Unit, Chaves County, New Mexico.

By their letter of April 1, 1966, the Bureau of Land Management has advised this office of their approval to this Participating Area expansion.

The Commissioner of Public Lands concurs with Elk Oil Company and the Bureau of Land Management, that the South Lone Wolf Unit Well No. 2 located in the SW4SW4, Section 29-13S-29E is a commercial well pursuant to Section 9 of the unit agreement.

The Commissioner of Public Lands concurs with the Bureau of Land Management and has also this date approved the First Revision of the Devonian Participating Area effective January 1, 1996.

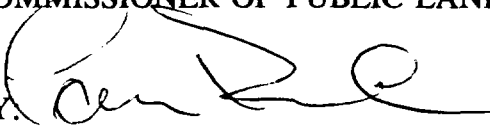
The expansion of the Devonian Participating Area contains 280.00 acres described as the N2NW4, SW4NW4, SW4, Section 29-13S-29E.

Elk Oil Company
May 20, 1996
Page 2

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, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File

BLM-Roswell	Attention: Ms. Alexis Swoboda
OCD-Santa Fe	Attention: Mr. Roy Johnson
TRD-Santa Fe	Attention: Mr. Valdean Severson



10475

RECEIVED
OIL/GAS AND MINERALS DIVISION

MAR 28 1995 PM 8 52

RAY POWELL, M.S., D.V.M.
COMMISSIONER

March 28, 1995

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

Elk Oil Company
Box 310
Roswell, New Mexico 88202

Attention: Mr. Joseph J. Kelly

Re: Resignation/Designation of Successor Unit Operator
South Lone Wolf Unit
Chaves County, New Mexico

Dear Mr. Kelly:

This office is in receipt of a resignation/designation of successor unit operator, wherein Terra Energy Ltd. has resigned as unit operator of the South Lone Wolf Unit and designated Elk Oil Company as the successor unit operator.

The Commissioner of Public Lands has this date approved the resignation of Terra Energy Ltd. and the designation of Elk Oil Company as the successor unit operator of this unit. This change in operators is effective March 1, 1995. In accordance with this approval, Elk Oil Company is now responsible for all operations and the reporting of all production from the unit. Our approval is subject to like approval by the Bureau of Land Management.

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: *James B. Lewis*
JAMES B. LEWIS, Director
Oil/Gas and Minerals Division
(505) 827-5744

RP/JBL/cpm

Enclosure

cc: Reader File

Terra Energy Ltd.
OCD--Roy Johnson
TRD
BLM--Roswell



TERRA ENERGY LTD

1503 North Garfield Road
Traverse City, Michigan 49684
(616) 941-7919
FAX: (616) 941-3426

RECEIVED

10475

APR 27 1993

C.C.D.

367P-14 07 8 56

OIL & GAS
EXPLORATION AND PRODUCTION

April 19, 1993

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Artesia District Office
P.O. Drawer DD
Artesia, NM 88211

Re: Unit Agreement for the Development and Operation of the South Lone Wolf Unit
Area, Chaves County, New Mexico - No. NMNM87878X

Dear Sir or Madam:

Enclosed in regard to the above captioned Unit Agreement, please find a revised Exhibit "B" Schedule of Ownership which supersedes and replaces the Exhibit "B" Schedule of Ownership recorded in Liber 0147, Page 320 of the records of the County of Chaves, State of New Mexico.

Pursuant to Division Order Opinion of Title No. 574, Terra Energy Ltd. is required to file this revision with your office.

Please replace the previous Exhibit "B" Schedule of Ownership with a copy of the enclosed, revised November 18, 1992.

If you have any questions or concerns, please do not hesitate to contact our office. Thank you.

Sincerely,

TERRA ENERGY LTD.

Gail A. Holland
Land Manager - Contracts & Administration

GAH/smv
Enclosure (1)
93000030.GAH

RECEIVED

APR 27 1993

C. C. S.

EXHIBIT "B" SCHEDULE OF OWNERSHIP
SCHEDULE SHOWING ALL LANDS AND LEASES
WITHIN THE SOUTH LONE WOLF UNIT
CHAVES COUNTY, NEW MEXICO

Tract No.	Description of Lands	Acres	Serial Number and Expiration Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage		
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						5250%	Thomas F. Adams 0.667%	Thomas F. Adams 0.667%	Thomas F. Adams 0.667%
						0.333%	Robert M. Boeve 1.667%	Robert M. Boeve 1.667%	Robert M. Boeve 1.667%
						Timothy Z. Jennings 0.334%	Embryo Limited Partnership 0.667%	Embryo Limited Partnership 0.667%	Embryo Limited Partnership 0.667%
						Phillip L. White 0.333%	Paul A. Halpern 0.667%	Paul A. Halpern 0.667%	Paul A. Halpern 0.667%
						Terra Energy Ltd. 0.696%	Alan J. Kostrzewa 0.167%	Alan J. Kostrzewa 0.167%	Alan J. Kostrzewa 0.167%
							Teddy Krol 0.667%	Teddy Krol 0.667%	Teddy Krol 0.667%
							Mannes Energy Corp. 6.667%	Mannes Energy Corp. 6.667%	Mannes Energy Corp. 6.667%
							Ronnie R. Shaw 0.667%	Ronnie R. Shaw 0.667%	Ronnie R. Shaw 0.667%
							Wayne A. Sterenberg 1.000%	Wayne A. Sterenberg 1.000%	Wayne A. Sterenberg 1.000%
							Craig J. Tester 0.667%	Craig J. Tester 0.667%	Craig J. Tester 0.667%
							Lee Roy Traylor 0.667%	Lee Roy Traylor 0.667%	Lee Roy Traylor 0.667%
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							Donald E. Yohe, Trustee 31.333%	Donald E. Yohe, Trustee 31.333%	Donald E. Yohe, Trustee 31.333%
							Don Yohe Enterprises, Inc. 1.333%	Don Yohe Enterprises, Inc. 1.333%	Don Yohe Enterprises, Inc. 1.333%
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7	<u>T-13-S, R-29-E, NMPM</u> Sec. 31: NE/4, N/2 SE/4, SE/4 SE/4	280.00	NM 70215 01-01-98	BLM 12.5%	Terra Energy Ltd.	Kal Zeff 5.000% Amoco Production Company 1.250% Terra Energy Ltd. 0.833%	R. David Briney, d/b/a Hoosier Energy 1.341667%	R. David Briney, d/b/a Hoosier Energy 1.341667%
8	<u>T-13-S, R-29-E, NMPM</u> Sec. 20: E/2 SE/4	80.00	V-2809 01-01-94	State of New Mexico 1/6	Terra Energy Ltd.	Amoco Production Company 2.833% Terra Energy Ltd. 0.353%	Same as Tract 1	Same as Tract 1
9	<u>T-13-S, R-29-E, NMPM</u> Sec. 32: N/2, N/2 SW/4, SW/4 SW/4, SE/4 TOTAL ACREAGE	600.00 <u>1,960.00</u>	V-3815 09-01-96	State of New Mexico 1/6	Terra Energy Ltd.	Terra Energy Ltd. 1.856%	Same as Tract 1	Same as Tract 1
RECAPITULATION								
Total Federal Acreage					1,280.00 acres or	65.31%		
Total State Acreage					680.00 acres or	34.69%		
Total Unit Acreage					<u>1,960.00</u>	<u>100.00%</u>		



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

June 18, 1992

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10475
ORDER NO. R-9683

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Roswell Office

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
TELECOPIER (505) 983-6043

May 13, 1992

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED
MAY 1 1992
OIL CONSERVATION DIVISION

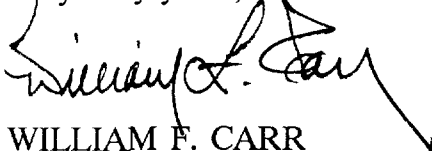
Re: Oil Conservation Division Case No. 10475:
Application of Terra Energy Ltd., for a Unit Agreement, Chaves County,
New Mexico

Dear Mr. LeMay:

Terra Energy Ltd., hereby requests that the above-referenced case scheduled for hearing before a Division Examiner on May 14, 1992 be continued to the Examiner hearings scheduled for June 11, 1992.

Your attention to this request is appreciated.

Very truly yours,


WILLIAM F. CARR

WFC:mlh

cc: Mr. Alan Kostrzewa



JIM BACA
COMMISSIONER

State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

June 1, 1992

Terra Energy Ltd., d/b/a Rachael Exploration
1503 N. Garfield Road
Traverse City, Michigan 49684

Attn: Mr. Alan J. Kostzewa

Re: South Lone Wolf Unit
Chaves County, New Mexico

Dear Mr. Kostzewa:

This office is in receipt of Mr. William F. Carr's letter of May 11, 1992, wherein preliminary approval was requested for the South Lone Wolf Unit on behalf of Terra Energy Ltd., d/b/a Rachael Exploration. The unit agreement as submitted contains 2,120.00 acres.

The Bureau of Land Management by their letter of May 22, 1992, has advised this office that they have designated 1,960.00 acres as a logical unit area.

Please submit the following for our preliminary approval:

1. A revised copy of your unit agreement together with amended Exhibits "A" and "B" reflecting all changes requested by the Bureau of Land Management.
2. On Exhibit "B" please list the Federal lands first on Tract Nos. 1 thru 7 then list the State lands on Tract Nos. 8 and 9. There should also be a recap of the total Federal and State acreages and their percentage of interest in the unit. (Exhibit "A" should reflect the revised Tract Nos. as per Exhibit "B".)
3. On page 4, Section 9, Drilling to Discovery, the correct wording on the fourth line should be ". . . continue such drilling diligently until the Devonian Formation has been tested . . ."
4. All unit wells, including the initial test well should carry the unit name. The initial well should be called the "South Lone Wolf Unit Well No. 1."
5. Please submit a \$20,000 Surface Damage Bond. Copies of our multiple lease damage bond form are enclosed.

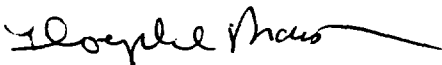
Terra Energy Ltd., d/b/a Rachael Exploration
South Lone Wolf Unit
June 1, 1992
Page 2

6. Our preliminary approval will be contingent upon your agreement that the third unit well will be drilled on State Trust Lands.

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

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.

cc: Reader File
OCD
BLM - Roswell
William F. Carr



JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

June 9, 1992

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

Attn: Mr. William F. Carr

Re: Preliminary Approval
Proposed South Lone Wolf State Unit
Chaves County, New Mexico

RECEIVED

JUN 11 1992

OIL CONSERVATION DIVISION

Dear Mr. Carr:

This office has reviewed the unexecuted copy of unit agreement, which you have submitted on behalf of Terra Energy Ltd., for the proposed South Lone Wolf State Unit Area, Chaves County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

Our preliminary approval of the unit area is given with the condition that the third well drilled in the unit is to be drilled on State Trust Lands. If the third well is not drilled on State Trust Lands, the E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 20, N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Sec. 32, Township 13 South, Range 29 East, containing 680.00 acres will be contracted from the unit.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.

Campbell, Carr, Berge
June 9, 1992
Page 2

3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
4. Copies of well records.
6. The filing fee for a unit agreement is Thirty (\$30.00) Dollars for every section or partial section thereof. Please submit the filing fee of \$180.00

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

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
cc: Reader File
OCD-Santa Fe
BLM-Roswell

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UNIT NAME: SOUTH LONE WOLF UNIT
OPERATOR: TERRA ENERGY LTD.- D/B/A RASHEL EXPLORATION
COUNTY: CHAVES

DATE APPROVED	OCD CASE NO. ORDER NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL- INDIAN	FEE	SEG CLAUSE CLAUSE	TERM
6/23/92		6/24/92	1960.00	680.00	1280.00	0	MODIFIED	5 YEARS & SO LONG AS

THIRD WELL ON UNIT SHOULD BE DRILLED ON STATE LANDS

OCD: 6/17/92, CASE NO. 10475, ORDER NO. R-9683
CPL: 6/23/92
BLM: 6/24/92

UNIT AREA:

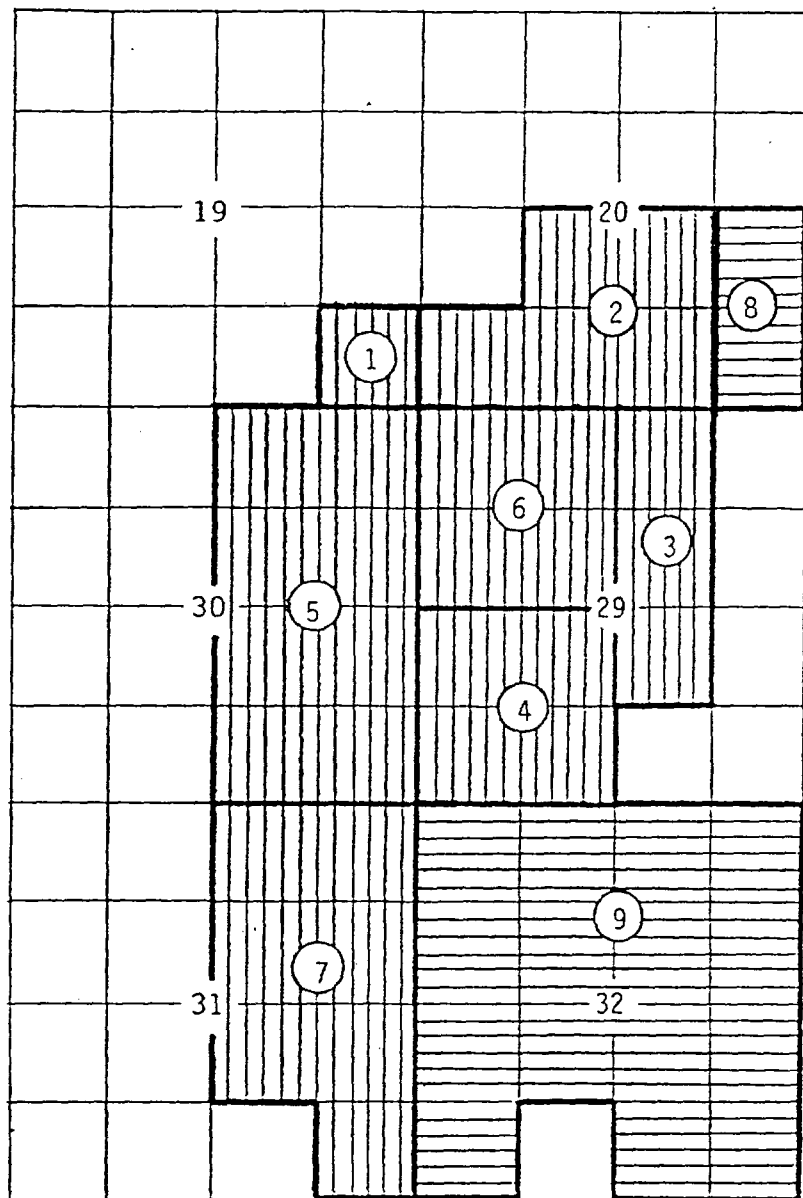
TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

- Section 19: SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 20: SW $\frac{1}{4}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 29: NW $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 30: E $\frac{1}{2}$
Section 31: NE $\frac{1}{4}$, NE $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 32: NW $\frac{1}{4}$, NE $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Exhibit "A" Map of Unit Area

South Lone Wolf Unit

T13S-R29E, Chaves County, New Mexico



 - Federal Minerals

 - State Minerals

 - Tract Number

EXHIBIT "B" SCHEDULE OF OWNERSHIP

SCHEDULE SHOWING ALL LANDS AND LEASES
WITHIN THE SOUTH LONE WOLF UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	BENEFICIARY
1	T13S-R29E, SEC. 19: SE/4 SE/4	40.00	NM-54287 02-01-93	BLM - 12.5%	TERRA ENERGY LTD.	EDWARD D. BARHAM AND JUDY O. BARHAM, h & w, - 5.25% THOMAS E. JENNINGS, - .333% TIMOTHY Z. JENNINGS - .333% PHILLIP L. WHITE - .333%	TERRA ENERGY LTD. 100%	
2	T13S-R29E, SEC. 20: SW/4 SW/4, E/2 SW/4 and W/2 SE/4	200.00	NM-54287 02-01-93	BLM - 12.5%	TERRA ENERGY LTD.	EDWARD D. BARHAM AND JUDY O. BARHAM, h & w, - 5.25% THOMAS E. JENNINGS, - .333% TIMOTHY Z. JENNINGS - .333% PHILLIP L. WHITE - .333%	TERRA ENERGY LTD. 100%	
3	T13S-R29E, SEC. 29: W/2 NE/4 AND NW/4 SE/4	120.00	NM-80644 02-01-94	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
4	T13S-R29E, SEC. 29: SW/4	160.00	NM-68851 08-01-97	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
5	T13S-R29E, SEC. 30: E/2	320.00	NM-70215 01-01-98	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 2.833%	TERRA ENERGY LTD. 100%	
6	T13S-R29E, SEC. 29: NW/4	160.00	NM-70215 01-01-98	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
7	T13S-R29E, SEC. 31: NE/4, N/2 SE/4, and SE/4 SE/4	280.00	NM-70215 01-01-98	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
8	T13S-R29E, SEC. 20: E/2 SE/4	80.00	V-2809 - 01-01-94	STATE OF NEW MEXICO - 16.667%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 2.833%	TERRA ENERGY LTD. 100%	
9	T13S-R29E, SEC. 32: N/2, N/2 SW/4 SW/4 SW/4, and SE/4	600.00	V-3815 09-01-96	STATE OF NEW MEXICO - 16.667%	TERRA ENERGY LTD.		TERRA ENERGY LTD. 100%	
	TOTAL ACREAGE	1960.00						

RACAPITULATION:

TOTAL FEDERAL ACREAGE 1280.00 OR 65.31%
TOTAL STATE ACREAGE 680.00 OR 34.69%

TOTAL UNIT ACREAGE 1960.00 OR 100.00%
=====

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AMENDED REPORT -EFFECTIVE DATE SHOULD BE JUNE 28, 1992

UNIT NAME: SOUTH LONE WOLF UNIT
OPERATOR: TERRA ENERGY LTD.- D/B/A RACHAEL EXPLORATION
COUNTY: CHAVES

DATE APPROVED	OCD CASE NO. ORDER NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL - INDIAN	FEE	SEG CLAUSE CLAUSE	TERM
6/23/92		6/28/92	1960.00	680.00	1280.00	0	MODIFIED	5 YEARS & SO LONG AS

THIRD WELL ON UNIT SHOULD BE DRILLED ON STATE LANDS

OCD: 6/17/92, CASE NO. 10475, ORDER NO. R-9683
CPL: 6/23/92
BLM: 6/28/92

UNIT AREA:

TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

- Section 19: SE $\frac{1}{4}$ SE $\frac{1}{4}$
- Section 20: SW $\frac{1}{4}$ SW $\frac{1}{4}$.E $\frac{1}{2}$ SW $\frac{1}{4}$.SE $\frac{1}{4}$
- Section 29: W $\frac{1}{2}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
- Section 30: E $\frac{1}{2}$
- Section 31: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
- Section 32: N $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Exhibit "A" Map of Unit Area

South Lone Wolf Unit

T13S-R29E, Chaves County, New Mexico

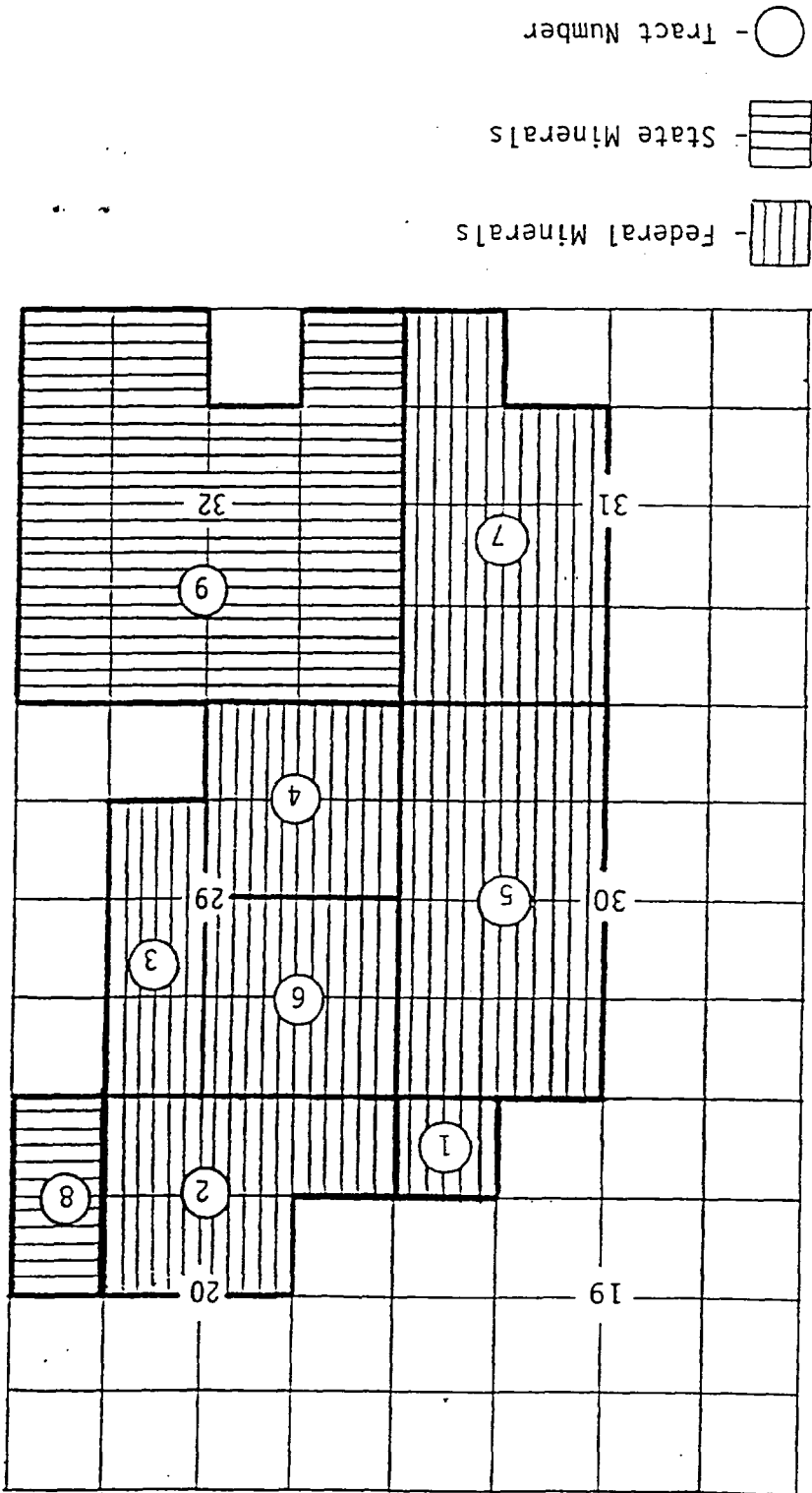


EXHIBIT "B" SCHEDULE OF OWNERSHIP
SCHEDULE SHOWING ALL LANDS AND LEASES
WITHIN THE SOUTH LONE WOLF UNIT
CHAVES COUNTY, NEW MEXICO

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	BENEFICIARY
1	T13S-R29E, SEC. 19: SE/4 SE/4	40.00	NM-54287 02-01-93	BLM - 12.5%	TERRA ENERGY LTD.	EDWARD D. BARHAM AND JUDY O. BARHAM, h & w, - 5.25% THOMAS E. JENNINGS, - .333% TIMOTHY Z. JENNINGS - .333% PHILLIP L. WHITE - .333%	TERRA ENERGY LTD. 100%	
2	T13S-R29E, SEC. 20: SW/4 SW/4, E/2 SW/4 and W/2 SE/4	200.00	NM-54287 02-01-93	BLM - 12.5%	TERRA ENERGY LTD.	EDWARD D. BARHAM AND JUDY O. BARHAM, h & w, - 5.25% THOMAS E. JENNINGS, - .333% TIMOTHY Z. JENNINGS - .333% PHILLIP L. WHITE - .333%	TERRA ENERGY LTD. 100%	
3	T13S-R29E, SEC. 29: W/2 NE/4 AND NW/4 SE/4	120.00	NM-80644 02-01-94	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
	T13S-R29E, SEC. 29: SW/4	160.00	NM-68651 08-01-97	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
	T13S-R29E, SEC. 30: E/2	320.00	NM-70215 01-01-98	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 2.833%	TERRA ENERGY LTD. 100%	
6	T13S-R29E, SEC. 29: NW/4	160.00	NM-70215 01-01-98	BLM - 12.5%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 6.25%	TERRA ENERGY LTD. 100%	
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8	T13S-R29E, SEC. 20: E/2 SE/4	80.00	V-2809 01-01-94	STATE OF NEW MEXICO - 16.667%	TERRA ENERGY LTD.	AMOCO PRODUCTION CO. - 2.833%	TERRA ENERGY LTD. 100%	
9	T13S-R29E, SEC. 32: N/2, N/2 SW/4 SW/4 SW/4, and SE/4	600.00	V-3815 09-01-96	STATE OF NEW MEXICO - 16.667%	TERRA ENERGY LTD.		TERRA ENERGY LTD. 100%	
	TOTAL ACREAGE	1960.00 =====						

RACAPITULATION:

TOTAL FEDERAL ACREAGE 1280.00 OR 65.31%
TOTAL STATE ACREAGE 680.00 OR 34.69%

TOTAL UNIT ACREAGE 1960.00 OR 100.00%
=====



JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

June 1, 1992

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

Attn: Mr. William F. Carr

Re: Final Approval of South Lone Wolf Unit
Chaves County, New Mexico

Dear Mr. Carr:

This office is in receipt of your letter of June 22, 1992, wherein on behalf of Terra Energy Ltd., d/b/a/ Rachel Exploration Corporation, you requested final approval of the South Lone Wolf Unit, Chaves County, New Mexico. It is our understanding that all tracts are committed to the unit agreement.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the South Lone Wolf Unit, Chaves County, New Mexico. Our approval is contingent upon our agreement that the third well drilled in the unit must be drilled on State Trust Lands.

Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

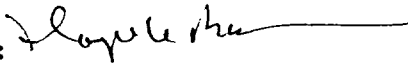
Enclosed are Five (5) Certificates of Approval.

Your filing fee in the amount of One Hundred Eighty Dollars (\$180.00) has been received.

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

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.
cc: Reader File
OCD
BLM
Terra Energy Ltd.