

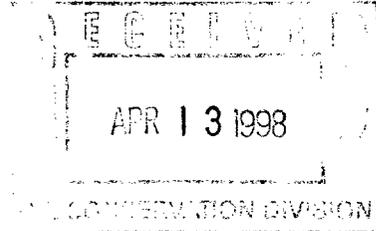
EnergyPro, Inc.

500-A S. Hangar Drive
Georgetown, Texas 78628
Phone: (512) 869-7971 FAX: (512) 869-8543

Case 11968
MS

April 10, 1998

Mr. Michael E. Stogner
New Mexico Oil Conservation Commission
2040 S. Pacheco
Santa Fe, New Mexico 87505



Re: Petroleum Development Corporation (PEDCO)
Huber-State Unit No. 1-H
Lea County, New Mexico

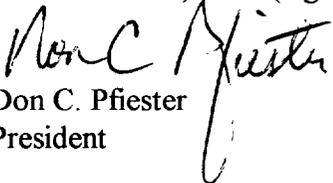
Dear Mr. Stogner:

Enclosed please find three copies of the pertinent forms for the permitting of the referenced well. We have filed a unit designation agreement with the State Land Office and anticipate temporary approval of the unit designation prior to the hearing for the referenced well that is now set for April 30, 1998.

Please advise if there is anything further that you may require in regards to approval of the permit for the referenced well.

Sincerely,

ENERGYPRO, INC. (Agent for PEDCO)


Don C. Pfister
President

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-101
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address. Petroleum Development Corporation 9720-B Candalaria, N.E. Albuquerque, NM 87112		¹ OGRID Number 17470
		³ API Number 30 - 0
⁴ Property Code	⁵ Property Name Huber-State Unit	⁶ Well No. 1-H

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	5	16-S	38-E		330	North	1150	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
4	4	10-S	38-E		200	North	330	West	Lea

⁹ Proposed Pool 1 Denton, South (Devonian)	¹⁰ Proposed Pool 2
--	-------------------------------

¹¹ Work Type Code E	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3754
¹⁶ Multiple N	¹⁷ Proposed Depth 13,500	¹⁸ Formation Devonian	¹⁹ Contractor —	²⁰ Spud Date 5/15/98

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
16	12-3/4	35	282	350	Surface
12	8-5/8	24	4971	1650	850
7-7/8	5-1/2	17	12902	300	11500
4-3/4	2-7/8 Liner	6.5	14000 MD	--	--

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Propose to re-enter the EnergyPro, Inc. (formerly Kinlaw Energy) Huber-State No. 1 well & mill a window at approx. 12,500'. The well will then be drilled directionally to a penetration point approximately 200' FNL & 500' FEL of Sec. 5, T-16-S, R-38-E. A horizontal lateral will then be drilled approximately 700' to the BHL shown above. Specific BOP system is not yet known, but adequate protection equipment including minimum 5000 psi hydraulic rams, 5000 psi Hydril, & 5000 psi choke manifold & connections will be utilized.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Don C. Pfister

Printed name:

Don C. Pfister

Title:

Agent

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name Denton, South (Devonian)	
⁴ Property Code		⁵ Property Name Huber-State Unit			⁶ Well Number 1-H
⁷ OGRID No. 17470		⁸ Operator Name Petroleum Development Corporation			⁹ Elevation 3754

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	5	16-S	38-E		330	North	1150	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
4	4	16-S	38-E		200	North	330	West	Lea

¹² Dedicated Acres 105.82	¹³ Joint or Infill N	¹⁴ Consolidation Code U	¹⁵ Order No. Applied For
---	------------------------------------	---------------------------------------	--

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p> <p>Sec. 35, T-15-S, R-37-E Sec. 36, T-15-S, R-37-E</p> <p>Lot 1 Lot 4</p> <p>Sec. 5, T-16-S, R-38-E Sec. 4, T-16-S, R-38-E</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Don C. Pfister</i> Signature Don C. Pfister Printed Name Agent Title April 1, 1998 Date</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyer:</p> <p>Certified plat filed with original C-102 from the VF Petroleum Huber-State #1.</p> <p>Certificate Number</p>

Petroleum Development Corporation

Huber-State Unit No. 1-H
330' FNL & 1150' FEL of Section 5, T-16-S, R38-E
Lea County, New Mexico

Geological Discussion

Abandoned fields throughout southeastern New Mexico undoubtedly hold millions of barrels of unrecovered reserves. In order to produce these reserves in an economic and prudent manner, it is necessary to drill additional infield wells at locations that are geologically correct without regard to the existing surface boundaries. To do otherwise will result in very little bypassed oil being recovered because, in most cases, the optimum locations chosen due to surface lease constraints have already been drilled by wells that are now abandoned.

The South Denton (Devonian) Field produced in excess of 3,728,000 barrels of oil during its initial production lifetime. Detailed examination of the production from the field's wells indicates that there remains the potential to produce a large volume of unrecovered reserves from the abandoned field. Proper placement of new wells and the use of horizontal drilling technology should result in these reserves being produced. The Huber-State Unit No. 1-H horizontal lateral was chosen in an effort to drill the well in the best geological position without regard for the existing surface section lines. An economic benefit can be realized by re-entering the existing well bore of the EnergyPro, Inc. (formerly Kinlaw Energy) Huber-State No. 1 well and drilling directionally and horizontally to the optimal location.

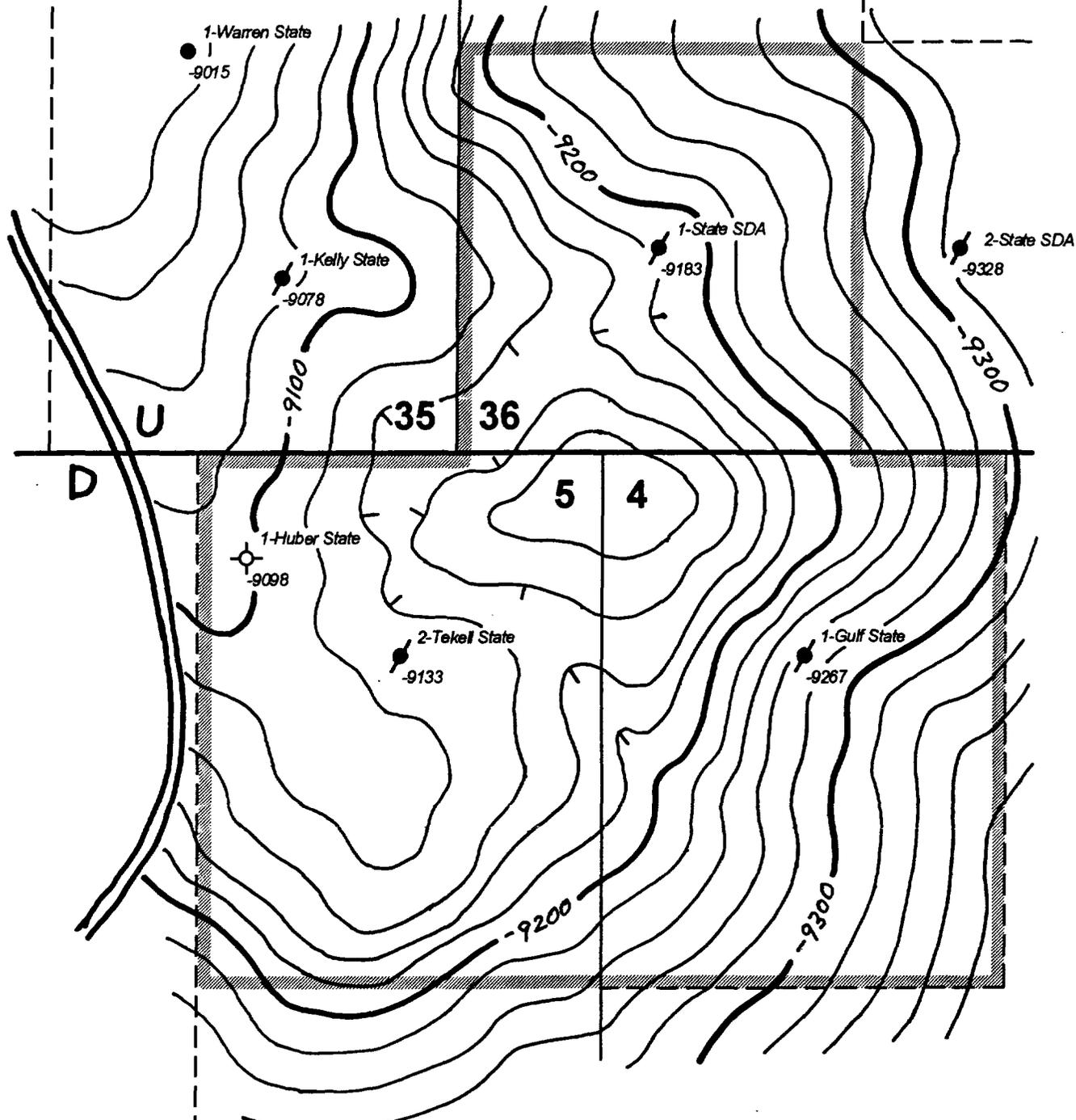
It is believed that the proposed bottom hole location of the Huber-State Unit No. 1-H is located at the highest structural position in the southeastern portion of the South Denton (Devonian) Field. It is felt that the optimal location of the horizontal lateral should result in attaining a structural position that is at least 50' higher than any of the nearby existing wells perforated intervals. Therefore, since ultimate oil cumulative production is directly related to structural position, the bottom hole placement should result in the highest ultimate recovery for the well. This higher structural location should also result in less water production during the lifetime of the well. To place the horizontal lateral in an "orthodox" location will not optimize the total oil reserves that the well otherwise would recover.

R 37 E

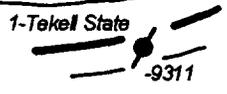
T 15 S

T 16 S

R 38 E



D U



<p>Petroleum Development Corporation Albuquerque, New Mexico</p>		
<p>Huber-State Unit Denton Devonian, South Field Lea County, New Mexico</p>		
<p>Devonian Structure Map</p>		
Scale: 1" = 500'	C.I.: 20'	Date: 4-3-98

SCHLUMBERGER WELL SURVEYING CORPORATION
HOUSTON, TEXAS



LATEROLOG

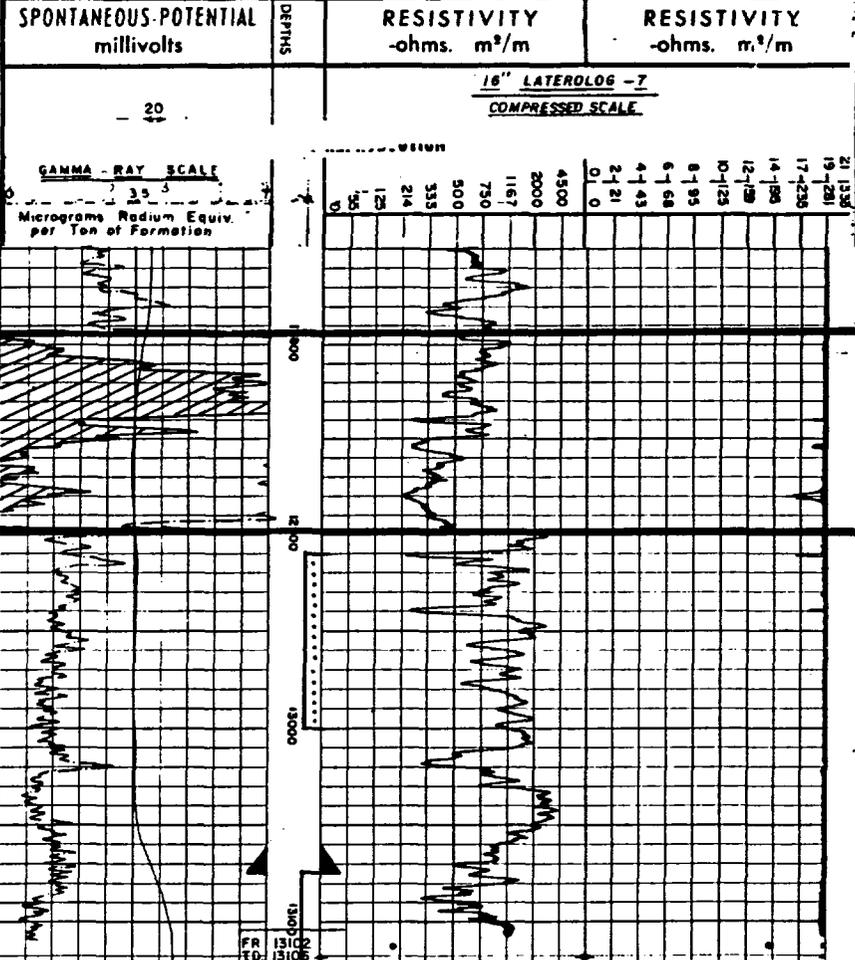
COUNTY <u>Lea</u> FIELD or LOCATION <u>S. Denton</u> WELL <u>Tekell State # 2</u> COMPANY <u>Signal Oil and Gas Company</u>	COMPANY <u>SIGNAL OIL AND GAS COMPANY</u>	Location of Well <u>660' f NEE/L</u> <u>LL-GR (ML-MLL)</u> Elevation: D.F. <u>3765</u> or G.L.: FILING No.
	WELL <u>TEKELL STATE # 2</u>	
	FIELD <u>S. DENTON</u>	
	LOCATION <u>SEC. 5-17S-38E</u> <u>-165-</u>	
	COUNTY <u>LEA</u>	
	STATE <u>NEW MEXICO</u>	

2-Tekell State

660' FNL, 660' FEL
Sec. 5 - 16S - 38E

IPF: 774 BOPD
7-17-56

RUN No.	1	2	3
Date	4-12-56	5-22-56	7-4-56



MISSISSIPPIAN

WOODFORD

DEVONIAN

Pay Zone
Perf 12,910-13,000'
Open Hole 13,074-13,200'

7" csg @ 13,074'

TD 13,200'

Petroleum Development Corporation Albuquerque, New Mexico		
Huber-State Unit Denton Devonian, South Field Lea County, New Mexico		
Type Log		
Scale: 1" = 100'	C.I.:	Date: 4-3-98

Petroleum Development Corporation

Huber-State Unit No. 1-H
330' FNL & 1150' FEL of Section 5, T-16-S, R38-E
Lea County, New Mexico

List of Operators and Lease Numbers

Shown below is a list of the offset lease owners names and addresses to whom certified letters have been sent indicating the unorthodox horizontal lateral and bottom hole location for the referenced well.

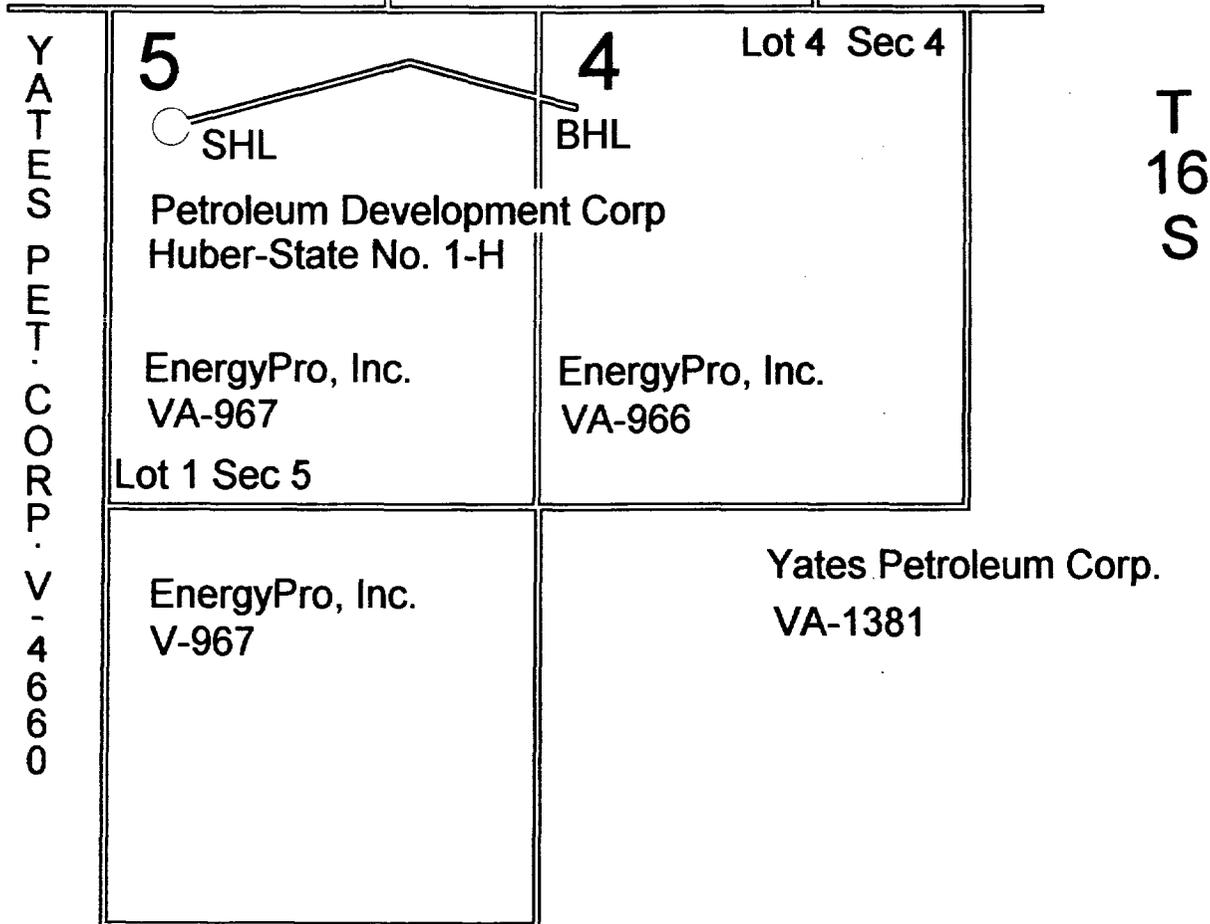
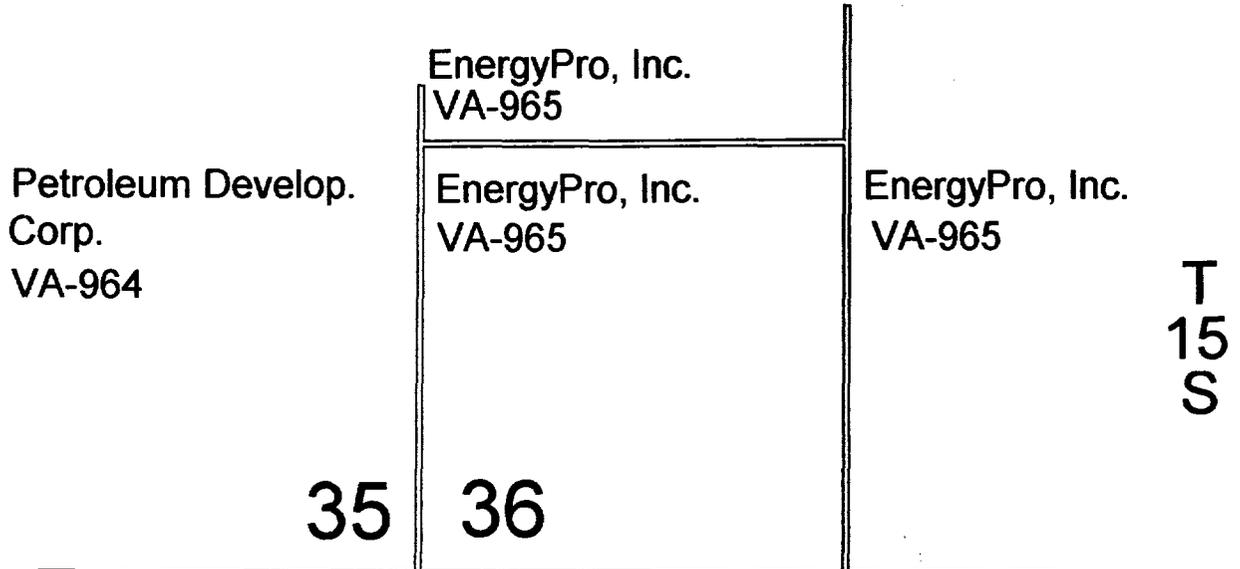
- | | |
|--|------------------------------|
| 1. Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210 | Lease VA-1381, V-4660 |
| 2. EnergyPro, Inc.
500-A S. Hangar Dr.
Georgetown, TX 78628 | Lease VA-965, VA-966, VA-967 |

Ownership Map

Huber-State Unit No.1-H

Lea County, New Mexico

R 37 E



District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-101
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 6 Copies
 Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address. Petroleum Development Corporation 9720-B Candalaria, N.E. Albuquerque, NM 87112		² OGRID Number 17470
		³ API Number 30 - 0
⁴ Property Code	⁵ Property Name Huber-State Unit	⁶ Well No. 1-H

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	5	16-S	38-E		330	North	1150	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
4	4	10-S	38-E		200	North	330	West	Lea

⁹ Proposed Pool 1 Denton, South (Devonian)	¹⁰ Proposed Pool 2
--	-------------------------------

¹¹ Work Type Code E	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3754
¹⁶ Multiple N	¹⁷ Proposed Depth 13,500	¹⁸ Formation Devonian	¹⁹ Contractor —	²⁰ Spud Date 5/15/98

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
16	12-3/4	35	282	350	Surface
12	8-5/8	24	4971	1650	850
7-7/8	5-1/2	17	12902	300	11500
4-3/4	2-7/8 Liner	6.5	14000 MD	---	---

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Propose to re-enter the EnergyPro, Inc. (formerly Kinlaw Energy) Huber-State No. 1 well & mill a window at approx. 12,500'. The well will then be drilled directionally to a penetration point approximately 200' FNL & 500' FEL of Sec. 5, T-16-S, R-38-E. A horizontal lateral will then be drilled approximately 700' to the BHL shown above. Specific BOP system is not yet known, but adequate protection equipment including minimum 5000 psi hydraulic rams, 5000 psi Hydril, & 5000 psi choke manifold & connections will be utilized.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Don C. Pfister*
 Printed name: Don C. Pfister
 Title: Agent

OIL CONSERVATION DIVISION

Approved by:
 Title:
 Approval Date:
 Expiration Date:

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name Denton, South (Devonian)	
⁴ Property Code		⁵ Property Name Huber-State Unit			⁶ Well Number 1-H
⁷ OGRID No. 17470		⁸ Operator Name Petroleum Development Corporation			⁹ Elevation 3754

¹⁰ Surface Location

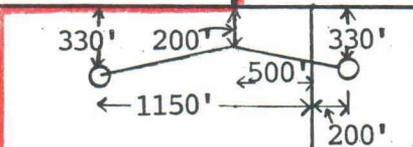
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	5	16-S	38-E		330	North	1150	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
4	4	16-S	38-E		200	North	330	West	Lea

¹² Dedicated Acres 105.82	¹³ Joint or Infill N	¹⁴ Consolidation Code U	¹⁵ Order No. Applied For
---	------------------------------------	---------------------------------------	--

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>	
				 Signature Don C. Pfiester Printed Name Agent Title April 1, 1998 Date	
Sec. 35, T-15-S, R-37-E		Sec. 36, T-15-S, R-37-E		Huber-State Unit	
					
Lot 1		Lot 4		¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>	
Sec. 5, T-16-S, R-38-E		Sec. 4, T-16-S, R-38-E		Date of Survey Signature and Seal of Professional Surveyer: Certified plat filed with original C-102 from the VF Petroleum Huber-State #1. Certificate Number	

Petroleum Development Corporation

Huber-State Unit No. 1-H
330' FNL & 1150' FEL of Section 5, T-16-S, R38-E
Lea County, New Mexico

Geological Discussion

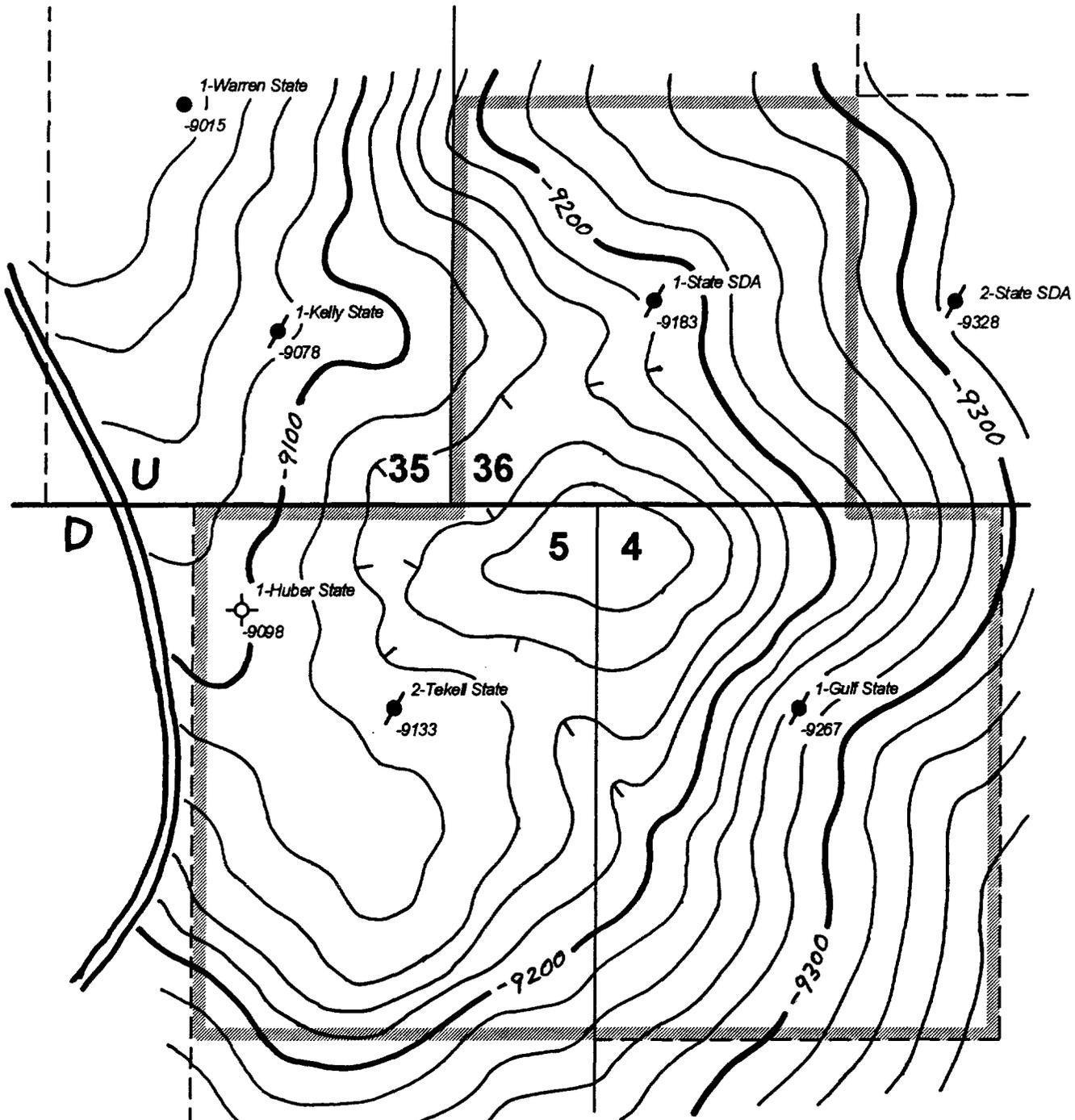
Abandoned fields throughout southeastern New Mexico undoubtedly hold millions of barrels of unrecovered reserves. In order to produce these reserves in an economic and prudent manner, it is necessary to drill additional infield wells at locations that are geologically correct without regard to the existing surface boundaries. To do otherwise will result in very little bypassed oil being recovered because, in most cases, the optimum locations chosen due to surface lease constraints have already been drilled by wells that are now abandoned.

The South Denton (Devonian) Field produced in excess of 3,728,000 barrels of oil during its initial production lifetime. Detailed examination of the production from the field's wells indicates that there remains the potential to produce a large volume of unrecovered reserves from the abandoned field. Proper placement of new wells and the use of horizontal drilling technology should result in these reserves being produced. The Huber-State Unit No. 1-H horizontal lateral was chosen in an effort to drill the well in the best geological position without regard for the existing surface section lines. An economic benefit can be realized by re-entering the existing well bore of the EnergyPro, Inc. (formerly Kinlaw Energy) Huber-State No. 1 well and drilling directionally and horizontally to the optimal location.

It is believed that the proposed bottom hole location of the Huber-State Unit No. 1-H is located at the highest structural position in the southeastern portion of the South Denton (Devonian) Field. It is felt that the optimal location of the horizontal lateral should result in attaining a structural position that is at least 50' higher than any of the nearby existing wells perforated intervals. Therefore, since ultimate oil cumulative production is directly related to structural position, the bottom hole placement should result in the highest ultimate recovery for the well. This higher structural location should also result in less water production during the lifetime of the well. To place the horizontal lateral in an "orthodox" location will not optimize the total oil reserves that the well otherwise would recover.

R 37 E

T 15 S



T 16 S

R 38 E



1-Tekel State
-9311

Petroleum Development Corporation
Albuquerque, New Mexico

Huber-State Unit
Denton Devonian, South Field
Lea County, New Mexico

Devonian Structure Map

Scale: 1" = 500'

C.I.: 20'

Date: 4-3-98

SCHLUMBERGER WELL SURVEYING CORPORATION
DENTON, TEXAS



LATEROLOG

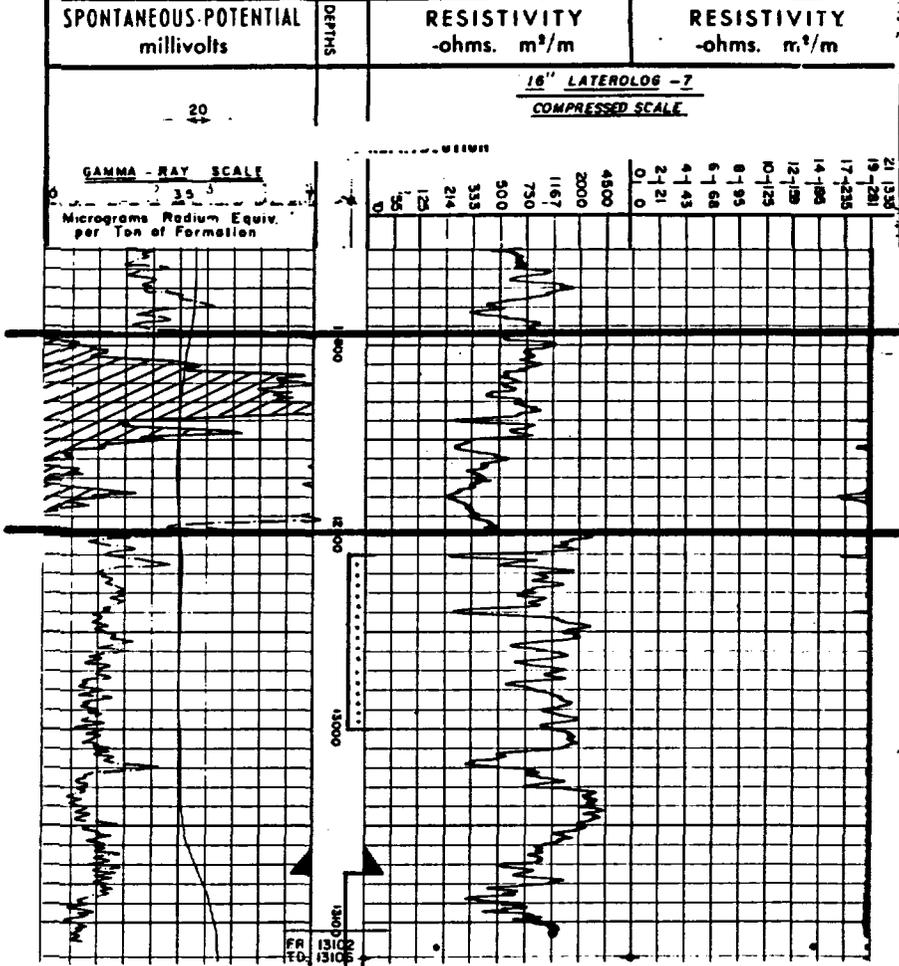
COUNTY - LEA FIELD or LOCATION - S. Denton WELL - Tekell State # 2 COMPANY - Signal Oil and Gas Company	COMPANY - <u>SIGNAL OIL AND GAS COMPANY</u>	Location of Well 660' f N&E/L LL-GR (ML-MLL)
	WELL - <u>TEKELL STATE # 2</u>	
	FIELD - <u>S. DENTON</u>	Elevation: D.F. <u>3765</u> K.B. or G.L.
	LOCATION SEC. <u>5-125-38E</u> <u>-165-</u>	
	COUNTY - <u>LEA</u>	
	STATE - <u>NEW MEXICO</u>	FILING No.

2-Tekell State

660' FNL, 660' FEL
Sec. 5 - 16S - 38E

IPF: 774 BOPD
7-17-56

RUN No.	1	2	3
Date	4-12-56	5-22-56	7-4-56



MISSISSIPPIAN

WOODFORD

DEVONIAN

Pay Zone
Perf 12,910-13,000'
Open Hole 13,074-13,200'

7" csg @ 13,074'

TD 13,200'

Petroleum Development Corporation Albuquerque, New Mexico		
Huber-State Unit Denton Devonian, South Field Lea County, New Mexico		
Type Log		
Scale: 1" = 100'	C.I.:	Date: 4-3-98

Petroleum Development Corporation

Huber-State Unit No. 1-H
330' FNL & 1150' FEL of Section 5, T-16-S, R38-E
Lea County, New Mexico

List of Operators and Lease Numbers

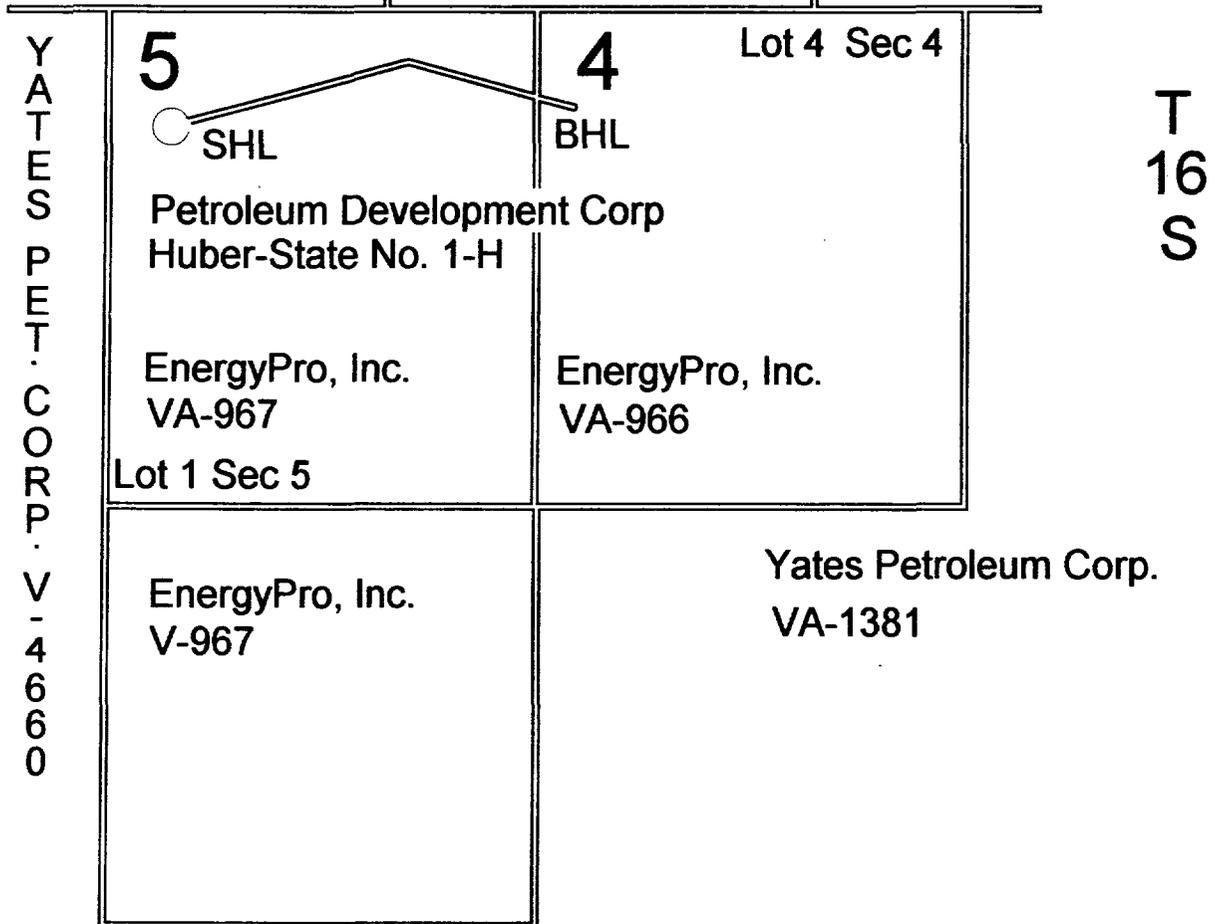
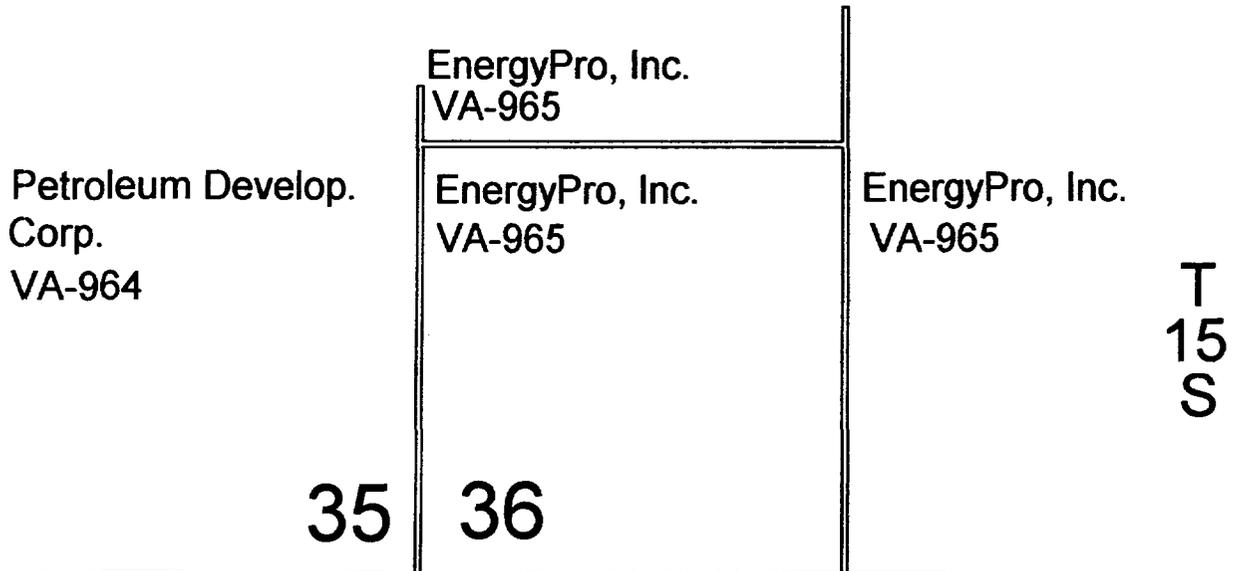
Shown below is a list of the offset lease owners names and addresses to whom certified letters have been sent indicating the unorthodox horizontal lateral and bottom hole location for the referenced well.

1. Yates Petroleum Corporation Lease VA-1381, V-4660
105 South Fourth Street
Artesia, NM 88210
2. EnergyPro, Inc. Lease VA-965, VA-966, VA-967
500-A S. Hangar Dr.
Georgetown, TX 78628

Ownership Map

Huber-State Unit No.1-H
Lea County, New Mexico

R 37 E



R 38 E

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

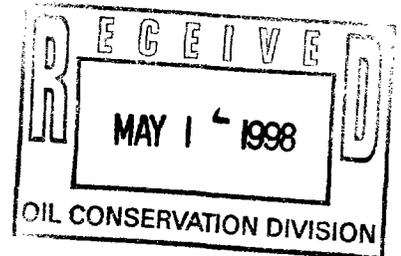
EC

May 1, 1998

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

VIA HAND-DELIVERY

David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 Pacheco Street
Santa Fe, New Mexico 87505



Re: *Case 11968: Application of Petroleum Development Corporation for a Unit Agreement, Lea County, New Mexico*

Dear Mr. Catanach:

Enclosed is the Preliminary Approval from the Commissioner of Public Lands for the proposed Huber State Unit which we received on this date.

Petroleum Development Corporation requests expedited consideration of this application for they are prepared to commence drilling of the initial unit well immediately upon receipt of the necessary government approvals.

Very truly yours,

Will

WILLIAM F. CARR
Attorney for Petroleum Development Corporation
Enc.

cc: Don C. Pfiester (Via Facsimile)
EnergyPro, Inc.
500-A South Hanger Drive
Georgetown, Texas 78628
FAX (512) 869-8543

Jim Johnson (Via Facsimile)
Petroleum Development Corporation
9720 B Candelaria, NE
Albuquerque, New Mexico 87112
FAX: (505) 293-4133

John Kullman (Via Facsimile)
Century Plaza
310 W. Wall, Suite 415
Midland Texas 79701
FAX: (915) 682-3281



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.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

April 29, 1998

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 Huber State Unit
Lea County, New Mexico

RECEIVED
MAY -1 1998
CAMPBELL, CARR, et. al.

Dear Mr. Carr:

This office has received the copy of the unit agreement which you have submitted for the proposed Huber Unit area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

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.

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. Pursuant to Rule 1.045, applications for approval shall contain a statement of facts showing.
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.
3. 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.

"WE WORK FOR EDUCATION"

Campbell, Carr, Berge & Sheridan, P.A.
April 29, 1998
Page 2

4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
5. Please submit two copies of the Unit Agreement.
6. A copy of the Unit Operating Agreement (if applicable).
7. The filing fee for a Unit Agreement is thirty (\$30.00) dollars for every section or partial section thereof. Please submit a filing fee in the amount of \$90.00.
8. On Page 5 of the agreement, Article 17, Effective Date & Term, please fill in the term (5 years and so long as).
9. Copies of all the well records for the initial unit well.
10. A \$20,000 Surface Improvement Damage Bond. Enclosed are copies of our Surface Improvement Damage Bond.

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: 

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

RP/JB/cpm
pc: Reader File

OCD--Mr. Roy Johnson

EnergyPro, Inc.