



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM106832X
3180 (06300)

JUL 24 2001

Beach Exploration, Inc.
Attention: Jack M. Rose
800 N. Marienfeld, Suite 200
Midland, TX 79701-3382

Gentlemen:

Your application of June 21, 2001, filed with the BLM requests the designation of the West High Lonesome Unit area, embracing 1156.60 acres, more or less, Eddy County, New Mexico, as logically subject to secondary recovery operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit A, Beach Exploration, Inc., West High Lonesome Unit, Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM106832X. This designation is valid for a period from one year from the date of this letter.

Waterflooding will be limited to the following interval: That interval underlying the Unit Area, the vertical limits of which extend from an upper limit described as 1,570 feet (+2,017 feet) below mean sea level or at the top of the Penrose Sand member of the Queen formation as found in Beach Exploration, Inc.'s (originally drilled by Rosewood Resources, Inc.) Rosewood "18" State #1 well (located 1,650 feet FSL and 330 feet FWL of Section 18, T. 16 S., R. 29 E., Eddy County, New Mexico) as recorded on the Dresser Atlas Densilog/Neutron Gamma Ray Log recorded on March 12, 1987, said log being measured from a Kelly drive bushing elevation on 3,587 feet above sea level. The lower limit shall be described as 1,810 feet (+1,839) below mean sea level or at the base of the Penrose Sand member of the Queen Formation as found in Beach Exploration, Inc.'s (originally drilled by Utah Unit Oil Company) Isle Federal #3 well (located at 330 feet FNL and 2,310 feet FWL of Section 20, T. 16 S., R. 29 E., Eddy County, New Mexico) as recorded on the Schlumberger Gamma Ray - Neutron Log recorded on August 21, 1955, said log being measured from 1 foot above ground level elevation of 3,649 feet above sea level.

Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable. Corrections that need to be made to the enclosed Exhibits A and B are marked in red.

If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outline above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form. You will also need to submit an initial Plan of Operations and a list of wells showing the old well names and numbers and the new well names and numbers.

Sincerely,

A handwritten signature in cursive script that reads "Larry D. Bray".

Larry D. Bray
Assistant Field Manager,
Lands and Minerals

Enclosures