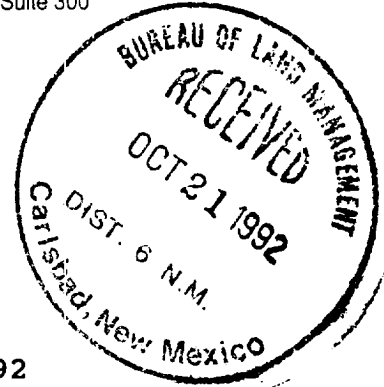


Unocal Oil & Gas Division
Unocal Corporation
1004 North Big Spring Street, Suite 300
P.O. Box 671
Midland, Texas 79702
Telephone (915) 684-8231

UNOCAL 76



October 19, 1992

Southwestern Region

Bureau of Land Management
P. O. Box 1778
Carlsbad, NM 88220

Attn: Shannon Shaw

Re: Off-Lease Storage
& Measurement
Federal "G" #1

Gentlemen:

Unocal respectfully requests approval for off-lease storage and measurement for our Federal "G" Well No. 1 located in the SW/4 NE/4 of Sec. 31, Twp. 9S, Rge. 36E, Lea County, New Mexico. The tank batteries will be located in the SE/4 SE/4 of Sec. 31, Twp. 9S, Rge. 36E on our Federal "D" lease. Unocal is requesting this proposal for the purpose of producing Federal "G" which is an economical flowing oil well from the Devonian formation. The off-lease storage and sales at the site of the Federal "D" battery reduces land damages in comparison to erecting a new tank battery on the "G" lease. The surface owner is the same on the "G" and the "D" lease and has agreed to the storage facilities as described.

Federal "G" Well No. 1 is currently producing 57 BOPD (gravity is 43.7 deg @ 60 deg F), a trace of water, and no gas.

Fluids from the Federal "G" will flow from the well down a two-inch flowline to the Federal "D" battery. At this time the well is making oil with just a trace of water, therefore the separation vessel is bypassed. The oil is flowed directly into one of the two tanks dedicated to the Federal "G" production. The Federal "G" production facilities are separate and isolated from the Federal "D" production facilities. Federal "G" oil production and sales is measured by tank gauging methods and the oil is sold by truck, shipped by Pride Oil Company and purchased by Unocal.