

# RECEIVED

2007 DEC 13 PM 2 09

UNIT NAME: HUECO SOUTH UNIT  
OPERATOR: DAN A. HUGHES  
COUNTY: HIDALGO

DATE APPROVED      OCCD CASE NO.      TOTAL ACREAGE      STATE      FEDERAL      INDIAN FEE      SEGREGATION CLAUSE      TERM

EFFECTIVE      CASE NO. 14022      82,622.60      78,942.60      0.00      3,680      STRICT      5 YEARS /  
11/28/2007      ORDER NO. R-12841      SO LONG AS

APPROVALS  
SLO-1/1/28/2007  
OCD-1/1/19/2007

TOWNSHIP 32 SOUTH, RANGE 16 WEST

SECTION 5: ALL  
SECTION 7: SE/4  
SECTION 8: E/2  
SECTION 9: ALL  
SECTION 14: THROUGH 17: ALL  
SECTION 18: NE/4, N/2 SE/4, SE/4 SE/4, LOT 4  
SECTION 19 THROUGH 22: ALL  
SECTION 23: ALL  
SECTION 24: W/2, W/2 E/2  
SECTION 25 THROUGH 35: ALL

TOWNSHIP 32 SOUTH, RANGE 17 WEST

SECTION 21: ALL  
SECTION 24: N/2 N/2, S/2 S/2  
SECTION 25 THROUGH 26: ALL  
SECTION 27: S/2, S/2 N/2  
SECTION 28: ALL  
SECTION 33 THROUGH 36: ALL

TOWNSHIP 33 SOUTH, RANGE 15 WEST

SECTION 31: W/2, NE/4, NE/4 SE/4

TOWNSHIP 33 SOUTH, RANGE 16 WEST

SECTION 2 THROUGH 11: ALL

SECTION 14 THROUGH 23: ALL

SECTION 25 THROUGH 32: ALL

SECTION 33: S/2, NE/4, N/2 NW/4, SE/4 NW/4

SECTION 34 THROUGH 36: ALL

TOWNSHIP 33 SOUTH, 17 WEST

SECTION 1 THROUGH 4: ALL

SECTION 9 THROUGH 16: ALL

SECTION 21: NE/4, S/2

SECTION 22 THROUGH 28: ALL

SECTION 33 THROUGH 36: ALL

TOWNSHIP 34 SOUTH, RANGE 15 WEST

SECTION 4: ALL

SECTION 5: E/2, NE/4 NW/4, E/2 SW/4, SW/4 SW/4

SECTION 6: S/2, NW/4, W/2 NE/4, SE/4 NE/4

SECTION 7: W/2, SE/4, E/2 NE/4, SW/4 NE/4

SECTION 8: S/2 SW/4, NE/4 SW/4, W/2 SE/4, NE/4 SE/4

SECTION 9: SW/4 NE/4, SE/4 NW/4, NW/4 SW/4, S/2 SE/4

SECTION 10: E/2, S/2 SW/4

SECTION 11: W/2, SW/4 SE/4

SECTION 12: SW/4 SE/4, SE/4 SW/4

SECTION 13: S/2, NE/4, NE/4 NW/4

SECTION 14: NW/4 NE/4, NE/4 NW/4, SE/4 NE/4, E/2 SE/4

SECTION 15: SE/4 SE/4, NW/4 SE/4, N/2 SW/4, NW/4

SECTION 16: ALL

SECTION 17: S/2, NW/4, S/2 NE/4, NW/4 NE/4

SECTION 18: NW/4, N/2 SW/4, SE/4 SW/4, N/2 NE/4, SE/4 NE/4  
SECTION 19: LOT 2, SW/4 NE/4, NE/4 NW/4  
SECTION 20: N/2 NE/4  
SECTION 21: NW/4 NW/4  
SECTION 23: N/2 NE/4

TOWNSHIP 34 SOUTH, RANGE 16 WEST

SECTION 3 THROUGH 11: ALL  
SECTION 14 THROUGH 24: ALL

TOWNSHIP 34 SOUTH, RANGE 17 WEST

SECTION 1 THROUGH 4: ALL  
SECTION 10 THROUGH 16: ALL  
SECTION 24: ALL

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CC: OGD

PATRICK H. LYONS  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

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

COMMISSIONER'S OFFICE

Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

August 17, 2007

Beach Exploration, Inc.  
800 N. Marienfeld, Suite 200  
Midland, Texas 79701-3382

Attention: Mr. Jack M. Rose

Re: Proposed Eastland Queen Unit  
Eddy County, New Mexico

Dear Mr. Rose:

This office has reviewed the unexecuted copy of unit agreement, which you have submitted for the proposed Eastland Queen Unit, Eddy 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.

According to your application, it is our understanding that the fresh water makeup required would be used primarily in the first five to six years of the waterflood development, when the reservoir is undergoing the critical phase of repressurization. Our preliminary approval is given with the condition that no more than 2.7 million barrels of fresh water makeup be used in the waterflood and is subject to a stipulation to be made a part of our final approval requiring that the Operator shall, within four years following the effective date of the Eastland Queen Unit, submit for the Commissioner's review the fresh water requirements for this unit. A review of the unit's fresh water requirement will continue to be submitted for the Commissioner's review every three years thereafter.

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. 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.
3. Order of the New Mexico Oil Conservation Division and approval by the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
4. A copy of the Unit Operating Agreement.
5. A copy of your Initial Plan of Operation.

**-State Land Office Beneficiaries -**

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

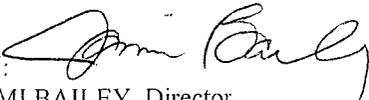
Beach Exploration, Inc.  
August 17, 2007  
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6. A re-designation of well names and numbers.
7. The filing fee for a unit agreement is \$30.00 dollars for every section of partial section thereof. Please submit a \$90 filing fee.
8. On Exhibit "B", on Tract No. 1, the correct description for the 80.10 acres under B0-7717-13 is Lots 2, 3, Sec. 1-19S-29E.
9. On Exhibit "B", on Tract No. 2, please separate the lands and tract percentages for Lease No. B0-1717-10 (Snow Operating Company) from B0-1717-13 (Chisos, Ltd & Pure Energy Group). These lands are considered to be in two distinct separate leases. The NE/4SW/4, SW/4SW/4, NW/4SE/4 of Section 1-19S-29E can be listed under Tract No. 2A, or you can choose to re-number all the tracts and participation percentages as required. All other exhibits should follow the corrected numbering convention.
10. On Exhibit "B", on Tract No. 2, Section 1-19S-29E has lots. The correct description for the 280.10 acres in this section for B0-1717-13 should be Lots 1, 4, S/2N/2, NW/4SW/4 Sec. 1-19S-29E.
11. On Exhibit "B" the total acres unitized is 1040.10 acres

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

Very truly yours,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
PL/JB/pm

pc: Reader File

 Attention: Mr. David Catanach