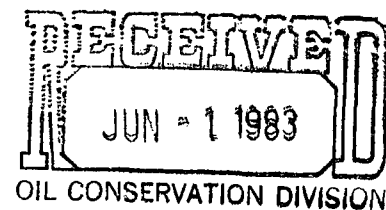


CAMPBELL, BYRD & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
HARL D. BYRD  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
WILLIAM G. WARDLE  
KEMP W. GORTHEY



JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

May 27, 1983

Mr. Jamie McCoy  
Sovereign Oil Company  
7409 Club House Road, Suite 102  
Boulder, Colorado 80301

Dear Mr. McCoy:

Following our telephone conversation of last week I contacted the New Mexico Oil Conservation Division concerning what additional action needs to be taken by Sovereign to bring its 32-6 Well Number 1 into compliance with all Division rules and regulations.

Perry Pearce, attorney to the Oil Conservation Division, advises that we must file an application seeking approval of the exact surface and bottom hole locations for this well. I was unable to get these footage locations from the Oil Conservation Division and would have to have those provided by Sovereign prior to filing such an application.

Mr. Pearce also advised that, to his knowledge, Sovereign has never obtained a Certificate of Authority to Transact Business from the New Mexico Corporation Commission. I checked with the Corporation Commission and they do not have record of an application having been filed. I have one copy of this application which was sent to us for our file. This application must, however, be filed in duplicate original. It therefore is essential that Sovereign immediately file two complete copies of this application with the Corporation Commission. Until this application is filed the Oil Conservation Division cannot approve a permit to drill this well.

It has also come to my attention that the Division has called a hearing on June 8 (Case 7893) to permit Sovereign to show cause why this well should not be plugged and abandoned in accordance with a Commission approved plugging program. I am convinced, however, that the Division would be willing to continue this hearing if Sovereign made a good faith showing that it was attempting to bring the well into compliance with its rules and regulations.

(continued)

Jamie McCoy  
May 27, 1983  
page two

To date we have appeared in two hearings before the Oil Conservation Division in an effort to bring this well into compliance with Division rules and regulations. Furthermore, our records indicate that Sovereign has an outstanding balance of \$867.90 and has made no payments to Campbell, Byrd & Black to date. It therefore will be essential, before we undertake any additional efforts on behalf of Sovereign, for satisfactory arrangements to be made for payment of fees incurred to date and any additional fee which would result from our again taking this matter before the Oil Conservation Division.

It is essential that Sovereign act promptly on each of the matters set forth in this letter for, if no action is taken until after the June 8, 1983 hearing, the Division will enter an order and make demand on the bonding company to cover the costs of plugging this well.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William F. Carr", written in a cursive style.

William F. Carr

certified mail; return  
receipt requested

WFC:msf