



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

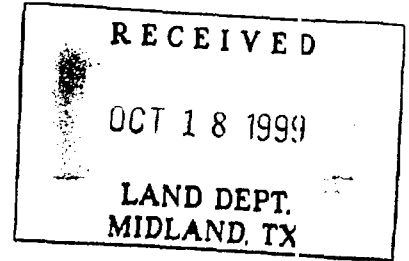
PLANNING
(505)-827-5752

October 15, 1999

Santa Fe Snyder Corporation
550 West Texas, Suite 1330
Midland, Texas 79701

Attention: Mr. Steven J. Smith

Re: Preliminary Approval
Proposed Outland Unit
Lea County, New Mexico



Dear Mr. Smith:

This office has received the unexecuted copy of the unit agreement which you have submitted for the proposed Outland 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.
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.


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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 \$120.00.
8. Copies of all the well records for the initial unit well.
9. On Exhibit "B", please note all changes that have been made on the enclosed copy. Please change your records accordingly.

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/pm

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson

EXHIBIT "B" - SCHEDULE OF OWNERSHIP
 Schedule Showing All Lands and Leases
 Within the OUTLAND UNIT
 LEA COUNTY, NEW MEXICO

TRACT NUMBER	DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER AND EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>STATE LANDS:</u>							
<u>T-21-S, R-34-E</u>							
1)	Sec. 1: E/2SW/4; SE/4	240 acs.	B-1484-1 & 3 12/19/42 HBP	State 1/8	Empire Gas & Fuel Co. Oxy USA Inc.	5% (Oxy USA Inc.) 2.5% (Scott E. Wilson and Robert K. Barr)	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
2)	Sec. 11: SW/4NE/4	40 acs.	E-1922-1 6/10/48 HBP	State 1/8	Phillips Petroleum Corporation	0%	Phillips Petroleum Corporation
3)	Sec. 11: W/2; SE/4	480 acs.	VO-4562 - 2 01/01/2000	State 1/6	Doug J. Schutz Nearburg Exploration Co., LLC	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
4)	Sec. 12: W/2W/2; SE/4NW/4; E/2SW/4	280 acs.	V-4641 - 1 05/01/2000	State 1/6	Santa Fe Energy Resources, Inc.	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
5)	Sec. 1: W/2SW/4	80 acs.	V-4697 - 2 07/01/2000	State 1/6	Daniel E. Gonzales Nearburg Exploration Co., LLC	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
6)	Sec. 2: SW/4	160 acs.	V-4726 - 1 09/01/2000	State 1/6	Nearburg Exploration Company	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
7)	Sec. 12: NE/4NW/4;	40 acs.	V-5050 03/01/2002	State 1/6	Nearburg Exploration Company	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
8)	Sec. 2: SE/4	160 acs.	VA-1624 - 1 07/01/2002	State 1/8	Doug J. Schutz Nearburg Exploration Co., LLC	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
9)	Sec. 11: N/2NE/4; SE/4NE/4	120 acs.	V-5385 - 1 10/01/2003	State 1/6	Doug J. Schutz Nearburg Exploration Co., LLC	0%	Santa Fe Snyder Corporation Nearburg Exploration Co., LLC
<u>TOTAL STATE LANDS - 1600 ACRES - OR 100%</u>							
<u>RECAPITULATION</u>							
State Lands	1600.00 Acres or 100%						
Fee Lands	0.00 Acres or 0%						
Total Unit Acres	1600.00 Acres or 100%						