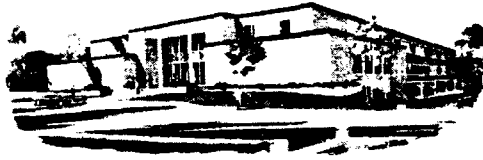


State of New Mexico

JUL 13 1987



Hinkle, Cox, Eaton, Coffield & Hensley
Santa Fe, New Mexico 87504

SLO REF NO. OG-239

W.R. HUMPHRIES
COMMISSIONER

Commissioner of Public Lands

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

July 9, 1987

Hinkle, Cox, Eaton, Coffield & Hensley
ATTENTION: Mr. James Bruce
P. O. Box 2068
Santa Fe, New Mexico 87504-2068



Re: Proposed Twin Lakes San Andres
Unit, Chaves County, New Mexico

Gentlemen:

This office has reviewed the unexecuted copy of unit agreement for the proposed Twin Lakes San Andres Unit Area, Chaves County, New Mexico, which you have submitted on behalf of Pello Oil Company. 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.

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 approval stating the Tracts which have been committed and the Tracts which have not been committed and their percentages.
2. As per our telephone conversation on Exhibit "B" Part I Please follow the sample form of Exhibits which have been enclosed. Tract No. 10 should be split up into two tracts one being the area covered by State Lease No. OG-4681-10 and the other being covered by K-6716-3. All State Tract Nos. should begin with the State lease numbers being listed in alphabetical order and there should also be a summary of all the lands in the unit and their percentage on an acreage basis.
3. Please submit a Re-Designation of all well names and numbers.
4. Order of the New Mexico Oil Conservation Division.

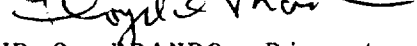
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5. The filing fee for a unit agreement is thirty dollars (\$30.00) for every section or partial section thereof. Please submit a filing fee in the amount of \$420.00 Dollars.
6. Also, enclosed are comments regarding the presentation of the structure map.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

WILLIAM R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm
encls.

cc: OCD-Santa Fe, New Mexico
Gulram