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PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

OFF: (915) 683-2534
FAX: (915) 683-4514

February 7, 1996

U. S. Department of the Interior
Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88221-1778
Attention: Mr. Tim O'Brien

Re: Rifleman "7" # 1 Well
Lease No. NM-064528
Rifleman Prospect (NM-003)
Eddy County, New Mexico

Dear Mr. O'Brien:

The undersigned corporation accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased lands or portions thereof as described herein:

Lease No. - NM-064528
Lease Description - S/2 NE/4 of Section 7, T-22-S, R-26-E, NMPM
(80.00 acres), Eddy County, New Mexico
Primary Formation Objective - Bone Spring

Please note that Penwell's Statewide Bond Number is NM-1641.

Sincerely yours,

PENWELL ENERGY, INC.



Mark Wheeler, CPL
Land Manager - Permian Basin

CMW:nm-005(4M)
cc: Joe Janica