

DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE: Roswell, New Mexico
SERIAL NO.: NM-57261

and hereby designates

NAME: Challenger Energy, Inc.
ADDRESS: P.O. Box 1262
Artesia, NM 88210

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

E/2 E/2, NW/4 NE/4 Sec. 12, T-26-S, R-29-E NMPM,
Containing 200 acres, more or less

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.

JFG Enterprise, A New Mexico General
Partnership

J. T. Jackson, Jr.
J. T. Jackson, Jr., Partner
(Signature of lessee)

January 17, 1986
(Date)

Loy G. Fletcher
Loy G. Fletcher, Partner

U.S. GOVERNMENT PRINTING OFFICE : 1978 O - 877-121

James E. Guy
James E. Guy, Partner
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