

DESIGNATION OF OPERATOR

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

DISTRICT LAND OFFICE: New Mexico
SERIAL No.: NM - 11039

and hereby designates

NAME: THE PETROLEUM CORPORATION OF DELAWARE
ADDRESS: 3811 Turtle Creek Blvd., Suite 350
Dallas, Texas 75219

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):

Township 26 South, Range 29 East, N.M.P.M.

Section 11: NW/4 NE/4, S/2 NE/4 NW/4

Section 12: W/2 NW/4, NE/4 NW/4

Containing 180 acres, more or less

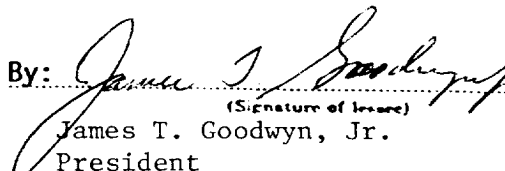
Eddy County, New Mexico

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.

Challenger Minerals Inc.

By: 
(Signature of lessee)
James T. Goodwyn, Jr.
President

12707 North Freeway, Suite 500

Houston, Texas 77060
(Address)

December // , 1985
(Date)