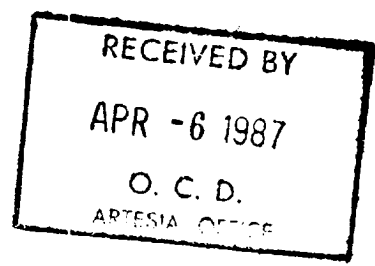


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March 27, 1987

Southland Royalty Company
21 Desta Drive
Midland, TX 79705



Gentlemen:

Your Application for Permit to Drill, Deepen, or Plug Back (APD) for:

Well No. Armstrong "17" Federal No. 1, Lease No. NM-55151, 1980 FSL and 660 FWL, Section 17, T. 18 S., R. 33 E.

Well Shugart (APCO) A No. 6, Lease No. LC-029387-C, 1420 FWL and 1520 FEL, Section 29, T. 18 S., R. 31 E., and

Well Keohane "D" No. 2, Lease No. NM-067896, 330 FSL and 990 FEL, Section 19, T. 18 S., R. 31 E., have been cancelled.

The APD is considered expired if Drilling activity has not commenced within one year after approval. Should you desire to drill these wells at a later date, you will be required to re-submit the proper forms for approval.

Sincerely,

Linda S.C. Rundell
Acting Area Manager

Post ID-2
4-17-87
Exp. Int.