



PATRICK H. LYONS  
COMMISSIONER

2007 JUN 4 PM 5:00

State of New Mexico  
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

Phone (505) 827-5760  
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www.nmstatelands.org

May 25, 2007

Cano Petroleum of New Mexico, Inc.  
Attention: Mr. Phillip Feiner  
801 Cherry Street, Suite 3200  
Fort Worth, TX 76102

Attn: Mr. Phillip Feiner

Re: Designation of Successor Unit Operator  
Cato San Andres Unit  
Chaves County, New Mexico

NO  
INFO?

Dear Mr. Feiner:

The Bureau of Land Management has notified this office that Cano Petroleum of New Mexico, Inc. has been designated as the successor unit operator of the Cato Unit, Chaves County, New Mexico. Our records reflect that UHC New Mexico Corporation is still the operator of record for this unit. Since a change of operator has not been approved by this office, Cano Petroleum is operating the Cato Unit without authority.

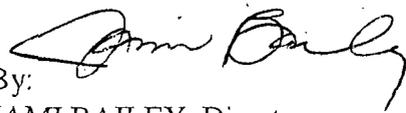
In view of the above, please submit within (30) days, a resignation from UHC New Mexico Corporation and the designation of Cano Petroleum of New Mexico, Inc. as successor unit operator to this office for approval. Cano Petroleum must also accept the duties and responsibilities as the successor unit operator in writing.

In addition please submit a \$20,000 surface improvement damage bond to this office.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

By: 

JAMI BAILEY, Director  
Oil, Gas and Minerals division  
PL/JB/jm  
xc: Reader File

OCD

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-State Land Office Beneficiaries -