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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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August 21, 2007

Celero Energy II LP
400 West Illinois, Suite 1601
Midland, Texas 79701

Attn: Mr. John Lodge

Re: Resignation/Designation of Successor Unit Operator
Drickey Queen Sand Unit
Chaves County, New Mexico

Dear Mr. Lodge:

We are in receipt of your resignation/designation of successor unit operator, wherein Palisades Asset Holding Co., has resigned as unit operator of the Drickey Queen Sand Unit and designated Celero Energy II LP, as the successor unit operator.

The Commissioner of Public Lands has this date approved the resignation of Palisades Asset Holding Co., and the designation of Celero Energy II LP, as the successor unit operator of this unit. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

This change in operators is effective February 5, 2007. In accordance with this approval, Celero Energy II LP is now responsible for all operations and the reporting of all production from the unit.

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

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil/Gas and Minerals Division
PL/JB/jm
xc: Reader File
OCD-Santa Fe, Attn: Mr. David Catanach
TRD-Attn: Mr. Valdean Severson
BLM Roswell-Attn: Mr. John Simitz

-State Land Office Beneficiaries -

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