

AMBASSADOR OIL CORPORATION
3109 Winthrop Avenue
Fort Worth, Texas

EXHIBIT "A"

T0: Owners of Working Interest, Royalty or
other Oil and Gas interest in the North
Caprock Queen Unit No.2, Lea and Chaves
Counties, New Mexico

This is to advise you that under Article 3. of the Unit Agreement for the development and operation of the above mentioned North Caprock Queen Unit No.2, all owners of an interest in the Southeast Quarter of the Southwest Quarter (SE/4 SW/4) of Section 36, Township 12 South, Range 31 East, and the Northeast Quarter of the Northwest Quarter (NE/4 NW/4) of Section 1, Township 13 South, Range 31 East, all in Chaves County, New Mexico, have filed with Ambassador Oil Corporation, the Unit Operator of the above mentioned Unit, an application requesting that the above described land be included in and made a part of the Unit Area, as defined in Article 1.(a) of the above mentioned Unit Agreement; and,

That all of the working interest owners in said Unit have consented to the inclusion of said land above described as part of the Unit Area under the above mentioned Unit Agreement, and that:

- (a) From and after the date of approval of such expansion by the Commissioner of the Public Lands of the State of New Mexico, the definition of "Unit Area" under Article 1.(a) will be the following described land, and will be designated and recognized as constituting the Unit Area of the North Caprock Queen Unit No.2:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Chaves County, New Mexico

T-12-S, R-31-E

Section 36: SE/4 SW/4

T-13-S, R-31-E

Section 1: Lots 1 and 2; S/2 NE/4; SE/4 NW/4; NE/4 NW/4;
and S/2

Section 2: SE/4 SE/4

Section 11: NE/4 SW/4; S/2 SW/4; E/2

Section 12: All.

Lea County, New Mexico

T-13-S, R-32-E

Section 7: Lots 1, 2, 3 and 4

and containing in all 1887.97 acres of land, more or less;

- (b) That attached hereto and made a part hereof as Exhibit "A" is a map showing boundaries of the Unit Area as hereby expanded;
- (c) That the expansion of the above mentioned Unit is reasonably necessary and advisable to conform to the general purpose of the above mentioned Unit Agreement covering said North Caprock Queen Unit No.2;
- (d) That by using the present participation formula for the two tracts, there will be added in excess of 50,000 barrels of reserves to the ultimate unit production. In addition, it is anticipated that the overall efficiency of the unit operations will be increased;
- (e) That there is attached hereto and made a part hereof Exhibits "A" and "B", which will be substituted for and be in lieu of the present Exhibits "A" and "B" to the Unit Agreement for the North Caprock Queen Unit No.2, when the application for expansion has been approved by the Commissioner;

(f) That there is attached hereto and made a part hereof Exhibit "C", which will be substituted for and in lieu of the present Exhibit "C", which is attached to the Unit Operating Agreement for the said North Caprock Queen Unit No.2.

You are advised that you will have thirty (30) days from date hereof, in accordance with Article 3.(b)(2), for submission to the Unit Operator of any objections to this proposed expansion.

You are advised that the Unit Operator will request that the Commissioner set in his order of approval an effective date for the expansion of such unit.

Yours very truly,

AMBASSADOR OIL CORPORATION

By Kenneth L. Smith
Vice President