

Leonard Resource Investment Corporation

P. O. BOX 3422
MIDLAND, TEXAS 79702

OIL AND GAS INVESTMENTS

(915) 682-3712

June 23, 1988

RECEIVED

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The Louisiana Land and Exploration Company
2950 North Loop West, Suite 1200
Houston, Texas 77092-8862

Attn: Teri H. Osburn
Landman

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| RECEIVED OIL CONSERVATION DIVISION Eddy County Case No. 9432 |
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LL&E LAND DEPT.
HOUSTON TEXAS

RE: Broken Arrow Prospect
Eddy County, New Mexico

Gentlemen:

In accordance with Provision No. 1 of our Letter Agreement dated April 27, 1988 covering the Farmout of New Mexico Federal Leases #NM-32848 and #NM-30886A, we have proceeded with the formation of a Federal unit including the farmout leases and with our plan to drill the initial test well in Section 24, T-26-S, R-24-E.

The BLM has approved our request for the designation of the Broken Arrow Unit area, embracing 3,681.88 acres, more or less, Eddy County, New Mexico, as a logical unit area, subject to final approval of a fully executed Unit Agreement. We are enclosing a copy of the Broken Arrow Unit Agreement together with one additional copy of the signature and acknowledgement pages. Please review this Agreement at your earliest convenience, and, should it prove to be satisfactory, please execute both the original copy and the additional copy of the signature page, have the signature properly acknowledged and return the additional copy of the signature and acknowledgement pages to us at the address on our letterhead.

In order to perform the optimum test of our prospect, we have staked the location for our Broken Arrow Unit #24-1 well at an unorthodox gas well location 510 feet from the North line and 660 feet from the East line of Section 24. That location has been given archaeological clearance and has been approved by the BLM. We have made application with the New Mexico Oil Conservation Division for a hearing in connection with our request for the unorthodox gas well location. We also enclose a copy of said application for your review.

The Hinkle law firm advises me that we have been placed on the docket for the July 20, 1988 hearing, and that we will need to submit to the OCD written evidence that Inexco does not object to the unorthodox location we request.

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In the event your company has no objection to the unorthodox location we have described, please so indicate by executing both copies of this letter in the space provided below and returning one fully executed copy to us.

Since time is of the essence, we would appreciate your prompt handling of both the Unit Agreement and this Letter Agreement.

Very truly yours,

LEONARD RESOURCE INVESTMENT CORPORATION


Dan M. Leonard
President

LML/kal
Enclosures

ACCEPTED AND AGREED TO
this 18th day of July, 1988. *

Inexco Oil Company

By:


C. M. Van Zandt, III
Division Land Manager

* On the condition that Leonard Resource Investment Corporation and R. E. Glassco their successors and assigns, would agree to approve an Inexco drilling location a distance of 510 feet from the south line of Section 13, T26S, R24E and Section 18, T26S, R25E, Eddy County, New Mexico.