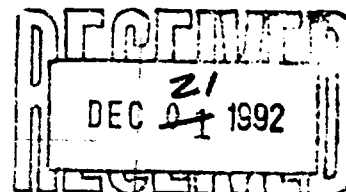




JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148



December 18, 1992

Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

Attn: Mr. W. Thomas Kellahin

Re: Preliminary Approval
Proposed North Feather State Unit
Lea County, New Mexico

Dear Mr. Kellahin:

This office has reviewed the revised request for Preliminary Approval which you have submitted on behalf of H. L. Brown, Jr., and a copy of the unit agreement, for the proposed North Feather State Unit Area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands and has this date granted you preliminary approval as to form and content.

Specifically, as a condition of preliminary approval of the proposed 640-acre unit consisting of the S/2 of Section 9 and the N/2 of Section 16, T15S, R32E, NMPM, Lea County, New Mexico, H. L. Brown, Jr., as operator, commits to the drilling of the initial unit well to a depth sufficient to test the Morrow formation at a location within the S/2NE/4 of Section 16, and that within six (6) months after the completion date of the initial unit well as a commercial producer, the operator shall commence drilling a second well within the N/2 of Section 16. If the Second well is not timely commenced, the unit area will be contracted to exclude the NW/4 of Section 16 from the unit area.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, any well commenced prior to the effective date of this agreement which penetrates its objective horizon prior to said effective date shall not be construed as the initial test well.

Kellahin & Kellahin
December 18, 1992
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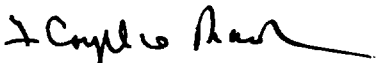
When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division. 4
4. Copies of well records.
5. A copy of the Unit Operating Agreement.
6. On Exhibit "B", Tract No. 1, the expiration date of Lease No. VA-671 is August 1, 1997.
7. On Exhibit "B" Tract No. 4, the Basic Royalty date on VB-189-1 is 3/16 (18.759).
8. On Exhibit "A" and "B" Tract Nos. 4 and 5, the correct assignment No. for Lease No. VB-189 and V-2999 is Assignment #1 (VB-189-1 and V-2999-1).

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

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm

cc: Reader File
OCD-Santa Fe
H. L. Brown, Jr.--Mr. Q. Peter Courtney