

WEST HAYSTACK UNIT
CHAVES COUNTY, NEW MEXICO
READ & STEVENS, INC.
OPERATOR

EXHIBIT 3



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM109670X
3180 (06300)

FEB 25 2003

Read & Stevens, Inc.
Attention: Robert H. Watson
P. O. Box 1518
Roswell, NM 88202

Gentlemen:

Your application of February 14, 2003 filed with the BLM requests the designation of the West Haystack Unit area, embracing 1910.80 acres, more or less, Chaves County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit A, Read & Stevens, Inc., West Haystack Unit, Chaves County, New Mexico, is hereby designated as a logical unit area and has been assigned No. NMNM109670X. This designation is valid for a period of one year from the date of this letter.

The unit agreement submitted for the area designated should provide for a well to test the Cisco formation, or to a depth of 5600 feet, whichever is the lesser depth. Your proposed use of the Form of Agreement for Unproved Areas will be accepted. Corrections to be made to Exhibit B are marked in red on the enclosed Exhibit B.

If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form.

Inasmuch as this unit agreement involves Fee lands, a copy of the letter is being sent to the NMOCD. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry D. Bray".

m Larry D. Bray
Assistant Field Manager,
Lands and Minerals

1 Enclosure

February 14, 2003

Bureau of Land Management
P.O. Drawer 1857
Roswell, NM 88202
Attn: Mr. Armando Lopez

Re: West Haystack Area
T6S-R27E, NMPM
Sec. 7: Lots 1-4, E/2W/2, E/2; NM-90872
Sec. 8: S/2, NW/4NW/4; NM-90873
Sec. 8: NE/4, E/2NW4, SW/4NW4; NM-93468
Section 18: Lots 1 & 2, E/2NW/4, NE/4; Private
Lots 3 & 4, E/2SW/4, SE/4; NM-90876
Containing 1910.80 acres, more or less, in Chaves County, NM

Gentlemen:


READ & STEVENS, INC., as operator, proposes the formation of a federal exploratory unit encompassing the captioned lands. Attached is an Exhibit "A" and Exhibit "B" setting forth the required information. We propose to use the standard form of exploratory unit agreement.

READ & STEVENS, INC., as Operator, proposes to drill the initial well at a legal location in the SW/4 of Section 18, T6S-R27E to test the Cisco formation at an estimated depth of 5600'. Enclosed is a geological summary and maps setting forth our subsurface interpretation of the captioned area. Please keep this information CONFIDENTIAL.

Should you require anything further, please contact this office.

Respectfully,

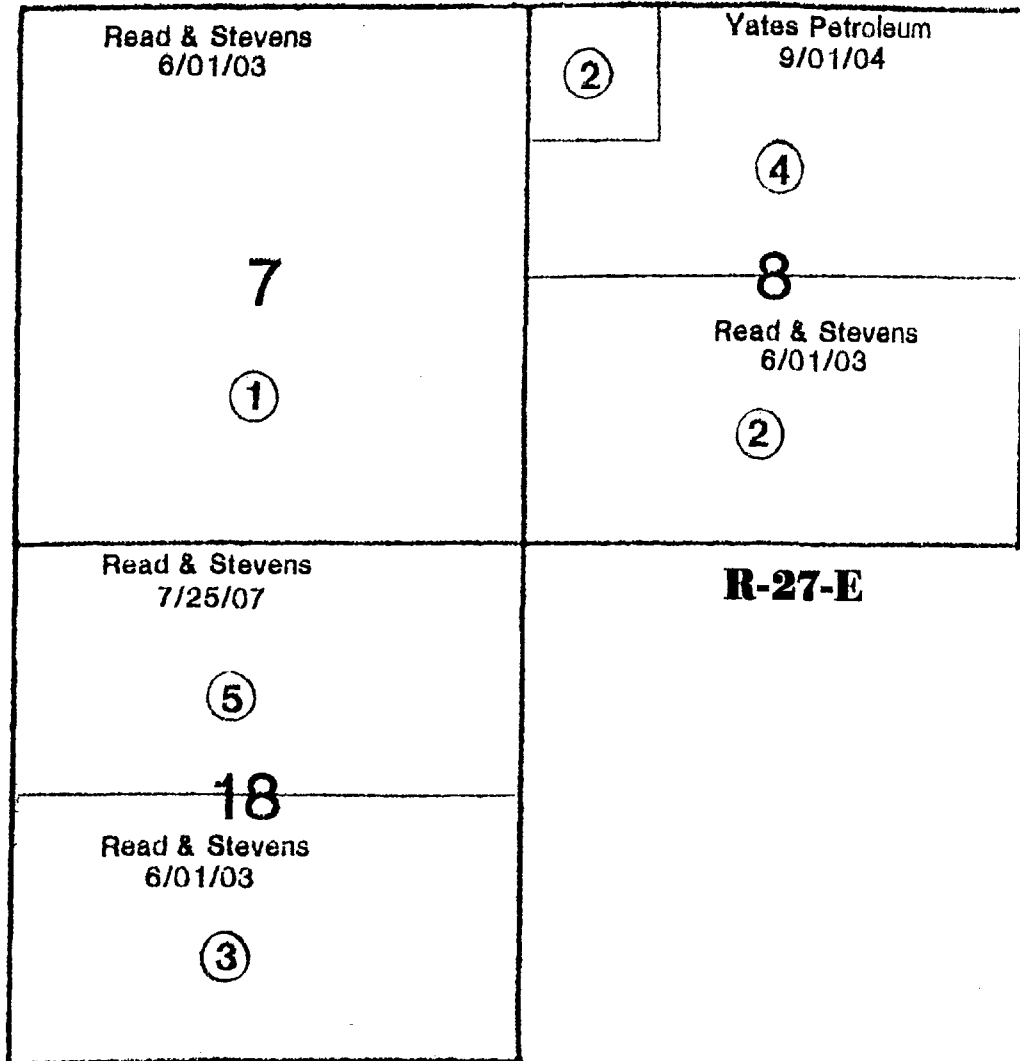
READ & STEVENS, INC.


Robert H. Watson
Land Manager

RHW: mp
Attachment
Mp.word.blm.2-12-03WestHaystackltr

READ & STEVENS, INC.
EXHIBIT A
WEST HAYSTACK AREA
CHAVES CO., NEW MEXICO
1910.86 gross acres

T-6-S



- Tract Number Listed on Exhibit B
- Public Land
- ▣ Private Land

WEST HAYSTACK AREA

TRACT NO.	DESCRIPTION OF LAND	ACRES	SERIAL NO./ LEASE EXPIRATION DATE	BASIC ROYAL TIES & OWNERSHIP PERCENTAGE	LESSEE OF RECORD	ORRI%	WI%
1	T6S-R27E Section 7: Lots 1-4, E/2W/2, E/2	635.04	NM/NM-90872 5/31/2003	USA - All of 12.5%	Read & Stevens, Inc. - 100%	Read & Stevens, Inc. - 3.5% R&S Royalty Pool - 2% First Century Oil, Inc. - 2%	Read & Stevens, Inc. - 99.5% Lincoln Oil & Gas LLC - 0.5%
2	T6S-R27E Section 8: NW/4NW/4, S/2	360.00	NM/NM-90873 5/31/2003	USA - All of 12.5%	Read & Stevens, Inc. - 100%	Read & Stevens, Inc. - 3.5% R&S Royalty Pool - 2% First Century Oil, Inc. - 2%	Read & Stevens, Inc. - 99.5% Lincoln Oil & Gas LLC - 0.5%
3	T6S-R27E Section 18: Lots 3 & 4, E/2SW/4, SE/4	317.70	NM/NM-90876 5/31/2003	USA - All of 12.5%	Read & Stevens, Inc. - 100%	Read & Stevens, Inc. - 3.5% R&S Royalty Pool - 2% First Century Oil, Inc. - 2%	Read & Stevens, Inc. - 99.5% Lincoln Oil & Gas LLC - 0.5%
4	T6S-R27E Section 8: NE/4, E/2NW/4, SW/4NW/4	280.00	NM/NM-93468 8/31/2004	USA - All of 12.5%	Yates Petroleum Corp. - 4% Abo Petroleum, Inc. - 32% MYCO Industries, Inc. - 32% Yates Drilling Co. - 32%	Unknown	Yates Petroleum Corp. - 4% Abo Petroleum, Inc. - 32% MYCO Industries, Inc. - 32% Yates Drilling Co. - 32%
5	T6S-R27E Section 18: Lots 1 & 2 E/2NW/4, NE/4	318.06	Private Lands 7/25/2007	Mary Lou Couch - All of 16.67%	Read & Stevens, Inc. - 100%	None	Read & Stevens, Inc. - 100%
	TOTAL	1910.80					