



marbob
energy corporation

27 December 1991

Desert States Energy, Inc.
125 E. Baja
Hobbs, New Mexico 88240

Re: Conditional acceptance of letter
dated December 27, 1991 from
Desert States Energy, Inc. to
Marbob Energy Corporation

Gentlemen:

We are in receipt of captioned letter concerning the location of the No. 1 Morgan Elizabeth State to be drilled under the terms of a farmout agreement ("Agreement") dated November 6, 1991 between Bill Hightower and Marbob Energy Corporation ("MEC"). MEC hereby agrees to accept your letter conditioned upon your acceptance of the following amendments:

1. The second paragraph of your letter will be deleted in its entirety and replaced with the following:

MEC agrees not to oppose Desert States Energy, Inc.'s application for an unorthodox location at 920' FSL and 1,310' FEL, Section 13, Township 11 South, Range 27 East, Chaves County, New Mexico. Desert States Energy, Inc. agrees to perform in accordance with the terms of the Agreement, including, but not limited to § 1.2 thereof.

2. The following paragraph will be added to the letter:

MEC makes no warranties or representations as to the consent of any third party offset operators and/or lease owners to the application of Desert States Energy, Inc. for the unorthodox location as described above. Desert States Energy, Inc. agrees to indemnify, discharge and hold MEC harmless from any and all claims, causes of action, charges, expenses and costs (including attorneys' fees), incurred by MEC due to claims by Desert States Energy, Inc., its working interest owners or investors, affiliates and all other third parties, for damages, costs and expenses incurred or suffered by Desert States