



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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January 25, 2005

Paladin Energy Corp.
10290 Monroe Drive, Suite 301
Dallas, Texas 75229-5718

Attn: Gail Cotton

Re: Communitization Agreement Approval (Mississippian)
South Vacuum 27 Well No. 3
E2NW4SE4 & W2NE4SE4, Section 27, Township 18 South, Range 35 East
Lea County, New Mexico

Dear Ms. Cotton:

The Commissioner of Public Lands has this date approved the South Vacuum 27 Well No. 3 Communitization Agreement for the Mississippian formation for the E2NW4SE4 and W2NE4SE4, Section 27, Township 18 South, Range 35 East, Lea County, New Mexico.

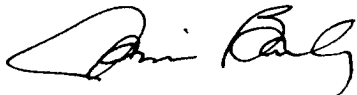
The effective date of this approval is January 5, 2005 and the term of the agreement is for one year, and so long thereafter as communitized substances are produced from the communitized area in paying quantities. Enclosed are five Certificates of Approval.

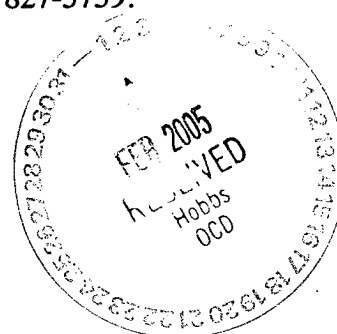
If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:


JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744
PHL/JB/ja



-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

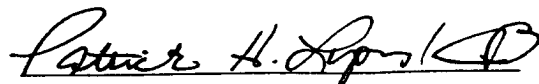
Paladin Energy Corp.
South Vacuum 27 Well No. 3
Lea County, New Mexico
E2NW4SE4 and W2NE4SE4, Section 27, Township 18 South, Range 35 East
Mississippian

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated January 5, 2005 which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 25th day of January, 2005.



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico