

FEAGAN ENERGY, INC.

(915) 683-8442

4000 N. BIG SPRING, SUITE 305

MIDLAND, TEXAS 79705

December 28, 1987

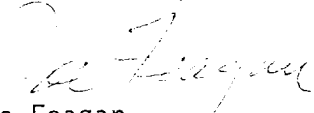
Mr. Jerry Sexton
State of New Mexico
Energy, Minerals & Natural Resources Dept.
P. O. Box 1980
Hobbs, NM 88241-1980

Dear Jerry:

Please refer to your letter dated December 9, 1987 pertaining to Kelly Baxter's Sawyer #1-K having the total forty acres dedicated to his well. The forty acres allocated to the Crossroads Devonian Pool will be split up among other wells that may be recompleted or developed on this forty acres and Kelly Baxter will own or receive up to 50% of the allowable for the Crossroads Devonian Pool. All other zones are still owned by Feagan Energy. We plan to do additional work on the Dessie Sawyer #2-K and also possibly re-enter the Dessie Sawyer #1, which was plugged by Sun. If you have any questions, please advise.

Yours very truly,

FEAGAN ENERGY, INC.


Joe Feagan

JF:ad

cc: Kelly Baxter

*#2-K Cannot be produced from the
Devonian by Joe Feagan.
This 40 ac (unit K) is dedicated to the
Kelly H. Baxter #1-K Crossroads
Siluro Devonian.*