

Oil Reports and Gas Services, Inc.

P.O. BOX 755

HOBBS, NEW MEXICO 88241

November 1, 1994

PHONE NUMBERS
393-2727 - 393-2017

Mr. Jerry Sexton
NMOCD District Office Hobbs
Post Office Box
Hobbs, New Mexico 88241

Re: Federal Trigg & Federal V
Change of Operator Forms
NMOCD C-104

Dear Mr. Sexton:

As per our conversation in your office, please accept this writing as formal request that the subject C-104's showing change of operator on the above captioned leases be rendered null and void.

The reason for such a request is as follows: Mr. Bob Lindsay, by his own statement President of Q. S. & S. Exploration Company, Inc., was introduced to me by way of telephone conversation through Mr. Jimmy Worthy, Vice President of Circle Ridge Production, Inc. Mr Worthy informed me that Mr. Lindsay would be working closely with Mr. Worthy and myself, and at some point it was anticipated that Q. S. S. would become the operator of record for the West Cap Unit and the Drickey Queen Unit, both under the current operation of Circle Ridge. Mr. Lindsay was to be given carte blanche, and I was to accept Mr. Lindsay's requests for service with the same authority as Mr. Worthy. It was for this reason that I did not question Mr. Lindsay's integrity to act when he instructed me to execute and sign C-104's showing Circle Ridge Production, Inc. as the operator on the above captioned leases, currently under the operation of C. E. LaRue & B. M. Muncy, Jr. It was not until such paperwork had been executed, and subsequently approved by your office, did I discover quite accidentally, that Mr. Lindsay did not in point of fact, have permission from Mr. Worthy or anyone associated with Circle Ridge Production, Inc. to take this action.

In a conference call with Mr. Lindsay, Mr. Worthy, and myself it has been clearly stated that Circle Ridge Production, Inc. did not agree to be the operator of the leases in question, and further do not wish, and in fact do refuse, to be operator of the above captioned leases. It is therefore my request, as agent for Circle Ridge Production, Inc. that the aforementioned C-104's be rendered null and void, and return LaRue and Muncy as operator of record until such time Mr. Lindsay can properly execute, the paperwork required to facilitate such a change.

In light of what has occurred thus far, and in line with