

*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.

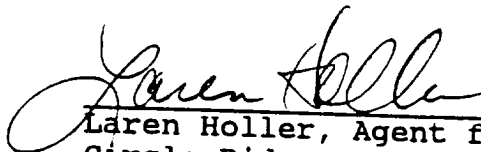
In light of what has occurred thus far, and in line with

confidential information I have received, it is my opinion that a certified document should be requested from whomever is listed as operator on any transfer forms, either Federal or State. It is quite possible that the parties listed did not, and if asked would not, agree to accept the financial responsibility required of an operator under both state and federal obligations.

Thank you for your assistance in this very sensitive situation.

Sincerely,

OIL REPORTS & GAS SERVICES, INC.

A handwritten signature in dark ink, appearing to read "Laren Holler", is written over a horizontal line.

Laren Holler, Agent for  
Circle Ridge Production, Inc.

XC: Navajo Refining Company  
Post Office Drawer 159  
Artesia, New Mexico 88211-0159

Bureau of Land Management  
1717 West Second Street  
Roswell, New Mexico 88201-2019

Circle Ridge Corporation  
300 East Northside Drive  
Fort Worth, Texas 76106

Q. S. & S. Exploration Company, Inc.  
Post Office Box 728  
Wichita Falls, Texas 76307-0728

C. E. LaRue & B. M. Muncy, Jr.  
Post Office Box 196  
Artesia, New Mexico 88210