

NADEL AND GUSSMAN PERMIAN, L.L.C.

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June 30, 1998

NEW MEXICO OIL CONVERSATION DIVISION

1000 West Broadway

P.O. Box 1980

Hobbs, New Mexico 88240

Attn: Mr. Chris Williams
District SupervisorRe: Big Lucky Lake Fed Com #1
SW/4SE/4 Section 30, T-15-S, R-30-E, NMPM
Chaves County, New Mexico

Dear Chris:

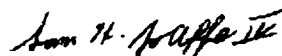
With reference to our letter of May 29, 1998, and as follow up to our phone conversation today in regards to obtaining administrative relief to produce both the Big Lucky Lake Fed Com #1 and Big Lucky Lake Fed Com #2 wells, please be advised that a plunger lift was installed on the #2 on June 22, 1998, bringing current production on the #2 to 225 mcf per day. Nadel and Gussman Permian will notify the Hobbs NMOCD of the #2 production level prior to inception of production from the #1. Per our discussion, Nadel and Gussman Permian is requesting a 60 day administrative relief period from the Hobbs NMOCD office in order to produce both wells. Please refer to our May 29 letter for other specifics on the two wells. Also per our discussion, we will be in contact with Nelda Morgan in your office in regards to obtaining a test allowable.

If we do not see evidence during the 60 day test period of an incremental increase of at least 50 mcf per day from producing both wells concurrently, we will not pursue any further effort in requesting a shared allowable from the NMOCD, and will continue to only produce one of the wells. If we do obtain an incremental increase of at least 50 mcf per day, we will then request a NMOCD Hearing in Santa Fe.

Based on our phone conversation, it is our understanding that once we have received a test allowable from your office, we will then have been granted verbal approval as to the requested 60 day administrative relief period. If this does not meet with your understanding, please contact us immediately so that we may further clarify our agreement. We will also immediately notify you when the #1 well begins to produce.

Please advise if you have any questions or need further information. Thanks for your assistance in this matter.

Yours very truly,

Sam H. Jolliffe IV
Land Managerc: Nelda Morgan
Hobbs NMOCD