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LAW OFFICES OF

GARY DON REAGAN, P.A.

(505) 397-6551

GARY DON REAGAN

P. O. BOX 780

308 WEST BROADWAY

HOBBS, NEW MEXICO 88241

REBECCA E. WARDLAW

January 24, 1985

Bennie Taylor
c/o Taylor Ranch
East Star Route
Elida, NM 88116

Re: Tri-State Production and Supply, Inc. (Taylor #1)

Dear Mr. Taylor:

This office represents Tri-State Production and Supply, Inc., which has asked us to prepare a letter agreement relating to the cleaning up of that certain location described as being situated 1980 feet from the North line and 2130 feet from the East line of Section 28, Township 4 South, Range 33 East, Roosevelt County, New Mexico.

The agreement is as follows:

LETTER AGREEMENT

1. You will clean the described location, including leveling drilling pits and filling the cellar, clearing location of all debris, smoothing location, including caliche, drilling mud, or other materials.
2. The location will be cleaned to the satisfaction of Oil Conservation Division and also Bonding Company, if required.
3. You agree that all liability, if any, for damages from Tri-State and Rockwood Resources is released by you.
4. Completion would be within thirty (30) days from the date of your execution of this agreement, which completion would be subject to inspection and approval by any state official.
5. The monies to be paid to you, being \$1,850.00, will be held in my trust account to be paid to you upon completion of the contract and acceptance or evidence of satisfaction by the Oil Conservation Division and also the Bonding Company, if required. A copy of Mr. Kenyon's check is enclosed. It will be deposited immediately upon receipt of a signed copy of this Letter Agreement.

6. Tri-State will be allowed to use this payment to you as evidence of out-of-pocket expenses for labor and services, as set forth in its contract with Rockwood Resources dated December 29, 1981.
7. This agreement and completion thereof effect a cancellation of any other contract by and among Tri-State and Rockwood Resources and you.

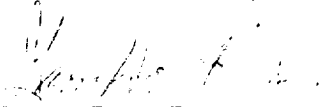
If this agreement is satisfactory, as stated, please evidence your approval and acceptance of the same in the space indicated below. Please sign this contract in the presence of a Notary Public and have it notarized before returning it to me in the enclosed envelope. The enclosed copy is for your file.

Mr. Kenyon is grateful for this opportunity to contract with you and is looking forward to having this entire matter brought to a completion.

If you have any questions, please do not hesitate to call me.

Very truly yours,

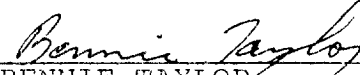
GARY DON REAGAN, P.A.

By 
 Gary Don Reagan

GDR:lds

cc: Aubrey E. Kenyon


AGREED AND ACCEPTED:


 BENNIE TAYLOR

STATE OF NEW MEXICO)
 COUNTY OF Roosevelt) SS.
 OF H&A)

The foregoing instrument was acknowledged before me this 29th day of January, 1985, by DENNIE TAYLOR.

My Commission Expires:


 NOTARY PUBLIC

July 9, 1988