



SIRATA ENERGY RESOURCES CORPORATION

Subsidiaries

LBO ENERGY, INC.

LBO NEW MEXICO, INC.



February 26, 1990

State of New Mexico
Oil Conservation Division
1000 W. Broadway
Hobbs, NM 88240

RE: Casinghead Gas Allowable - Tiffany #1
Section 26, T-19-S, R-38-E
Lea County, New Mexico

Attention: Evelyn Downs

Dear Ms. Downs:

Per our telephone conversation of this date, be advised that LBO New Mexico, Inc. hereby agrees and affirms that it will cease producing the Tiffany #1 well in Lea County above the casinghead gas allowable rate of 11,574 mcf per day as instituted by the State of New Mexico, effective immediately.

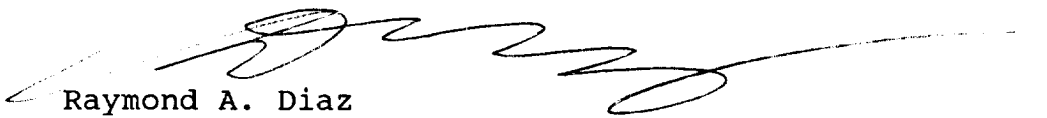
However, during the course of our conversation, it was agreed that the Tiffany would not be penalized for the over production that has resulted to the date hereof, as long as we agree to keep the well choked back henceforth to avoid such over production in the future. Thus, no penalty will be assessed for prior months and through February 26, 1990, nor will we be required to shut in the well to make up such past over production.

If the above is not agreeable or does not accurately reflect our discussion of this date, please advise immediately so that this matter can be cleared up as soon as possible.

I appreciate very much your help and assistance in this matter.

Sincerely

LBO NEW MEXICO, INC.



Raymond A. Diaz
President and General Counsel
RAD:lam
cc: Abel Benavidez

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FEB 27 1990

OCD
HOBBS OFFICE