

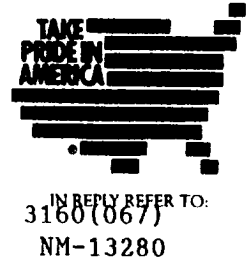


United States Department of the Interior

BUREAU OF LAND MANAGEMENT

NEW MEXICO STATE OFFICE
1474 RODEO RD.
P.O. BOX 27115
SANTA FE, NEW MEXICO 87502-7115

August 6, 1992



CERTIFIED--RETURN RECEIPT REQUESTED
P 864 869 176

Hondo Oil & Gas Company
Attention: Ernie Buttross
P. O. Box 2208
Roswell, NM 88202

RE: Smith Ranch "11" Well No. 3
NM-13280
990' FSL & 1980' FWL, Sec. 11, T20S, R33E
Lea County, New Mexico

Dear Mr. Buttross:

I am happy to approve your Application for Permit to Drill (APD) at the present location. Your copy of the APD, with attached stipulations, is enclosed.

As you may be aware, there has been a significant increase in APD's in the Secretary's Oil/Potash area. Unfortunately, this has resulted in a lengthy processing time. If you have any APD's which need to receive a higher priority, please contact or submit a list to the Carlsbad Resource Area.

If any additional information is required, please contact Tony Herrell at the Carlsbad Resource Area, (505) 887-6544.

Sincerely,

Larry L. Woodard
State Director

1 Enclosure:

1 - Application for Permit to Drill