



CADDO CORPORATION
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COGCC

January 27, 1998

Colorado Oil and Gas Conservation Commission
Attn.: Ron Schmela
Chancery Building
1120 Lincoln Street
Suite 801
Denver, Colorado 80203

VIA FACSIMILE
(303) 894-2109

RE: Drilling Permit Application

Dear Ron:

The leasehold interests held by Caddo Corporation in Section 22, Township 33 South, Range 49 West, 6PM in Baca County, Colorado are composed of two tracts. The first tract is composed of approximately 1104 acres. The second tract consists of a strip of land containing approximately 1.212 acres. The tracts are described on Exhibit "1" to this letter.

All of the mineral interests in tract one are owned by five parties, each of which own an undivided interest in the entire acreage. All of the minerals in tract two are owned by two parties who each own an undivided interest in the entire acreage.

I hope that this answers your questions. If not, please let me know and I will do what I can to get your questions answered.

As we have discussed, we have a drilling rig scheduled to move in within a week to ten days, so we are anxious to have the drilling permit issued as soon as possible. I have spoken with my insurance agent again, and he has informed me that the plugging bond has been approved by the bonding company and has assured me that he will do whatever he can to expedite the delivery of the plugging bond to the Oil and Gas Conservation Commission.

Thank you.

Yours very truly,



Frank B. Lyon,
President

FBL/kcv

cc: Dennis Flyr (via regular mail)

LAND DESCRIPTION:

Township 33 South, Range 49 West, 6th P.M.

Section 22: Lots 2, 3 and 6 of Tract 50, Lots 1, 4 and 5,
NE/4NE/4, W/2E/2, W/2

Section 23: Lots 6, 7, 8 and 10 of Tract 50 except the North
15 rods of Lots 6 and 7; Lots 5, 9 and 11,
except the North 15 rods of Lot 5

Section 26: W/2

Containing 1105.02 acres, more or less
Baca County, Colorado

TRACT 1:

Township 33 South, Range 49 West, 6th P.M.

Section 22: Lots 2, 3 and 6 of Tract 50, Lots 1, 4 and 5,
NE/4NE/4, W/2E/2, W/2, except Tract 2;

Section 23: Lots 6, 7, 8 and 10 of Tract 50 except the North
15 rods of Lots 6 and 7; Lots 5, 9 and 11,
except the North 15 rods of Lot 5

Section 26: W/2

Containing 1103.808 acres, more or less
Baca County, Colorado

TRACT 2:

Township 33 South, Range 49 West, 6th P.M.

A strip of land off the South side of Section 22, more
particularly described as follows:

Commencing at the Southwest Corner of said Section 22,
thence North a distance of 30 feet to the point of
beginning;

Thence, East a distance of 5280 feet to a point on the
East boundary of said Section 22; thence North a
distance of 10 feet; thence West a distance of 5280
feet; thence South a distance of 10 feet to the point
of beginning,

Containing 1.212 acres, more or less
Baca County, Colorado