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January 27, 2006

New Mexico Energy, Minerals and  
Natural Resources Department  
Oil Conservation Division  
Attn: Chris Beadle  
1301 W. Grand  
Artesia, NM 88210

Re: Letter of Violation, Inspection No. iCLB0600943682, Geronimo Federal No. 001 and  
Letter of Violation, Inspection No. iCLB0600945541, East Shugart Delaware Unit No. 23

Dear Mr. Beadle:

As follow-up to the e-mail and voice mail message on January 20, 2006, from Mr. Chuck Jones,  
Operations Manager, the following information is submitted.

**Geronimo Federal No. 1**

✓ The production casing/surface casing annulus has been cemented from 800' to surface with 200  
SX of 14.8 ppg class "C" cement and there are no surface leaks. The production tanks will be  
replaced to prevent leaks in the future. Expected delivery for the tanks is February 17<sup>th</sup>. The  
location will be remediated after the tanks are replaced. This work will be performed when the  
drilling pits in the area are remediated within the next 90 days. The long lead time is due to the  
difficulty in scheduling equipment. All of this work was discussed with the BLM.

**ESDU 23**

The injection rate has been choked back on 1/19/06 and the pressure is below the 1003 psi  
permitted pressure.

If additional information is required, please contact me at (281) 677-2772.

Sincerely,

*Marcie St. Germain*

Marcie St. Germain  
Production Tech