

Nearburg Producing Company

Exploration and Production
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March 6, 2007

30-015-35453

NM Oil Conservation Division
1301 W. Grand Ave
Artesia, NM 88210

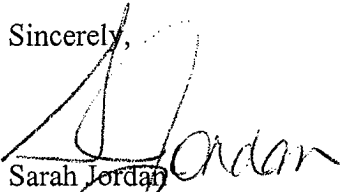
Ref: Halo State #1
2310 FSL and 430 FWL
Sec 1, 19S, 27E
Eddy County, New Mexico

Sirs:

This is a new drill to the Queen-Grayburg/ Sand Andres formation. We do not anticipate encountering H2S and fill no contingency plan is needed. Nearburg will have proper equipment on location in case H2S is encountered.

If you have any questions or need further information, please call me at the letterhead number.

Sincerely,



Sarah Jordan
Production Analyst

/sj