

JIM PIERCE

OIL AND GAS PROPERTIES
SUITE 859
PETROLEUM BUILDING
200 WEST FIRST
ROSWELL, NEW MEXICO 88203

PHONE 505-622-7246
FAX 505-622-1711
EMAIL: jplandman@dfn.com

October 15, 2002

NMOCD
1301 West Grand
Artesia, NM 88210

Attention: Mr. Tim Gum, District II Supervisor
Mr. Gerry Guye, Compliance Officer

Re: NMOCD Non-Compliance Directives
State "S" #2/30-015-003582
Leonard A State #1/30-015-03603
Tenneco State #1/30-015-24904
Leonard State #4/30-015-03539
Eddy County, NM



Gentlemen:

We expected to commence converting the State "S" #2, and "Leonard" wells to water injection/disposal before the October 18, 2002 deadline for compliance.

We had already made arrangements to take all produced water from all area wells operated by Eastland Oil Company, Midland, Texas, including our Tenneco State #1 & #2, Mountain States #1 wells, as well as other water producing wells in the area operated by "Robinson Oil, et al".

Unfortunately, the "bid" costs to convert subject wells to water injection/disposal is much more than this operator can afford, especially in relation to the "marginal" production of subject wells.

"Eastland Oil" in Midland, Texas has been anticipating the installation of this water disposal plant, and has indicated that it will take over subject well bores, converting each to water injection/disposal for all parties concerned.

We are presently fielding bids on the plugging of these wells, should "Eastland" decide not to pursue.

We will not be able to be in compliance under the October 18, 2002 deadline imposed, and ask that an additional sixty (60) days be granted.

Subject wells all have single well bonds in place, as well as the statewide blanket bond.

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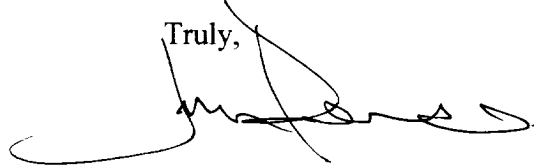
As reported in earlier correspondence, the Tenneco State #1 is and has been producing oil, although in small amounts, without a cessation of 60 days. The missing sign has been replaced.

We have reworked several of these wells. The most recent production reports indicate that production has increased (statement copies provided).

We appreciate your help and consideration in this matter.

Please contact us should you have questions or need additional information.

Truly,

A handwritten signature in black ink, appearing to be "Jim Pierce", written over a horizontal line.

Jim Pierce, RLP

JP
Encl.
Xc: Morexco, Inc.



501 - 7419
PU 01 159
ARTESIA, NM 88211-0119
(505) 719-3311

IF YOU HAVE QUESTIONS OR CONCERNS, PLEASE CONTACT KATIE RUIZ AT (505) 746-5369

*** Final Statement ***

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026607 JIM PIERCE TRANSPORTED: NAVAJO REFINING CO - TULSA
200 N 1ST ST STE 309 STATE: NM
MOSWELL, NM 88203 COUNTY: LEBOW
PAYMENT METHOD: Basic

PROPERTY: 00019828 TENNOCO STATE #1 & #2

OPERATOR'S CRUDE OIL STATEMENT
SEPTEMBER, 2002

as of 10/04/02
11.26

DATE	DATE	PROD	BARREL	FEED	VALUE	PRICE	TOTAL
09/25/02	9/24	00012787	37.3	100.01	27.9250	5,269.14	
09/02	PROPERTY TOTALS:			100.01		5,269.14	
	WELL WEIGHTED AVE. GROSS			17.3			
	TRANSPORTATION CHARGES					0.00	
	DEFERRED TAXES					0.00	
	GROSS DEDUCTS					0.00	
	NET VALUE					1,840.84	



ARTESIA, NM 88211-0150
(505) 748-3311

IF YOU HAVE QUESTIONS OR CONCERNS, PLEASE CONTACT KATIL RUIZ AT (505) 748-5361

*** Final Statement ***

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126607 JIM PIERCE
200 W 1ST ST STE 309
MUSWELL, NM 88203

TRANSPORTATION: MOUNTAIN STATE FED #11
STATE: NM
COUNTY: EDOY
PAYMENT METHOD: Basic

PROPERTY: 00019989 MOUNTAIN STATE FED #11

OPERATOR'S CRUDE OIL STATEMENT
SEPTEMBER, 2002

As of 10/04/02
11:05

DATE	TICKET	TYPE	TXNK	DATE	VOLUME	PRICE
TIME	DATE	NO.	NO.	DATE	VOLUME	PRICE
	09/19/02	22601	00013077	36.4	175.67	27 9250 4,905.58
09/02	PROPERTY TOTALS:			175.67		4,905.58
	WLC WEIGHTED AVG GRVITY		36.4			
	TRANSPORTATION CHARGES					0.00
	COURTAGE TAXES					29.00
	GROSS DEDUCTS					0.00
	NET VALUE					4,934.58