Initial well performance indicates a limited reservoir with insufficient rate and reserves to justify the use of a compressor. Prior to being shut-in in September, the well was tested flowing 17 bbl oil, 8 bbl water and 169 mcfd at 75 psi flowing tubing pressure. This compares to a June test of 50 bbl oil, 10 bbl water and 224 mcf at 450 psi flowing tubing pressure. On October 21, a 30 day shut-in static bottom hole pressure test taken at a depth of 6539' measured 2465 psi bottom hole pressure. This represents an approximate 30% decline from the estimated original pressure after producing four months. This rate of production decline coupled with the decreasing reservoir pressure indicates a limited reserve.

On the basis of the above figures, we expect the well to sufficiently decline in productivity and pressure in the near future. At such a time that the well pressure has dropped to a point where the subject well will no longer flow, a pumping unit to be fueled by casinghead gas will be installed.

Attached is an Application for Exception to No-Flare Rule 306.

Yours very truly,

S. J. Okerson Esq

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