



Friday, October 12, 2001

Charlie Perrin
New Mexico Oil Conservation
Santa Fe, NM

Dear Charlie:

RE: North Beautiful Mountain field

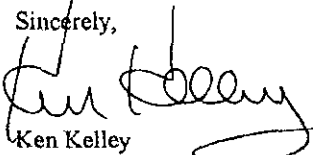
We purchased the stock of Mountain States just this past May and had not been informed by the previous owner of any outstanding issues with your department. We apologize for the misunderstanding and respectfully request a continuance of the hearing scheduled for October 18.

Our geologist has visited this field and checked each well three times this year, once during the due diligence examination of the properties and twice since we purchased the company. We have flow tested the wells and had the U.S. Bureau of Mines Helium Activity do sample analysis for us. We have contacted several gas processing companies and are in the final stages of negotiating a processing agreement with Newpoint Gas Services of Houston, Texas. They will move in an existing plant on our existing 5 acre plantsite and process 4.5 mmscf/d of gas from these wells to produce helium. Their construction time is 3 to 4 months. We will do whatever rework is required on the wells to produce that amount of gas.

We have been in contact with the Navajo Nation Minerals Department and discussed this with Akhtar Zaman. We have also complied with sundry notices from BLM on these wells. If you need further information please contact me at the address below or email to kkelley@altlungusa.com or for technical questions call our geologist Bill Kerrigan at 615.792.1945, email lwkoil@aol.com.

Thank you for calling. Please let me know if our request is granted.

Sincerely,


Ken Kelley
CEO

KERRIGAN & ASSOCIATES

P.O. Box 50974
Nashville, TN 37205
(615) 792-1945
e-mail: lwkoil@aol.com

August 14, 2001

Mr. Steve Mason
Bureau of Land Management
1235 LaPlata Highway
Farmington, NM 87401

RE: Mountain States Petroleum Corporation

Dear Mr. Mason:

This letter is to advise the Bureau of Land Management of the current work program being executed by Mountain States Petroleum Corporation on its oil and gas leases in the Four Corners area. This project includes current and future work on the existing wells within the Dineh bi Keyah Field, Apache County, Arizona; Boundary Butte Field, San Juan County, Utah; and Beautiful Mountain Field, San Juan County, New Mexico. This project includes an individual inspection of each well to determine its productive capacity and its mechanical and environmental integrity. A remedial action was determined for all shut-in wells and/or wells that exhibited other problems. The goal of this project is to increase daily production, increase the ultimate recovery, and extend the economic life of each field.

Dineh bi Keyah Field

Each well within the Dineh bi Keyah Field has been inspected, and its productive history reviewed. Remedial work for all shut-in wells has been planned with about fifty percent of the work implemented at this time. To date, wells #4, #22, #27, and #88-2 have been reworked and returned to production. This work has resulted in an increase from 160 barrels of oil per day to approximately 240 barrels of oil per day. Completed work was accomplished utilizing a "single" service rig. We are currently awaiting a larger service rig necessary for the additional work planned for the Dineh bi Keyah Field.

Additional work being studied includes utilizing submersible pumps in select wells, horizontal recompletion of select wells, and flow testing the existing gas wells.

Boundary Butte Field

The Boundary Butte Field produces oil from the relatively shallow Coconino Sandstone and natural gas from the underlying Paradox Formation. Geographically, wells are distributed along the crest of Boundary Butte and within the adjacent, less accessible canyon. Similar to the

Mr. Steve Mason
August 14, 2001
Page Two

process utilized in the evaluation of the Dineh bi Keyah Field, individual Boundary Butte Field wells were inspected and production histories reviewed. Currently, a well by well remediation plan is being implemented.

Initial work on Boundary Butte field consisted of 24-hour flow test of each existing gas well to determine its productive capacity. Currently, wells #10 and #37 produce sales gas while gas produced by well #1 is utilized as field fuel. Well #11 will be used to produce sales gas after installation of a choke to regulate gas flow. Wells #6 and #9 require reworking and installation of pumping units to unload fluid from the bore holes. Additional work on the gas wells is dependent on the conversion of well #7 to a water disposal well and completion of Western Gas, Inc.'s pipeline work.

Boundary Butte Field also contains eleven shut-in oil wells which are located both on the butte and within the canyon. Taking advantage of summer weather, initial work has targeted those shut-in wells within the canyon. To date, wells #13, #15, #17, #23, and #34 have been reworked. Electrical service has been restored and new flow lines to the wells have been installed. Work to improve access to these wells has also been undertaken. Once these wells are producing, it is estimated that field production will increase by twenty-five barrels of oil per day.

Along the crest of Boundary Butte, wells #17 and #21 have been reworked. Equipment from well #25 has been pulled awaiting final decision to plug and abandon this well.

Additional work proposed for Boundary Butte Field includes re-perforating and re-fracing selective wells, utilizing submersible pumps in selective wells, and the drilling of new wells to further develop the Paradox Formation gas reserves.

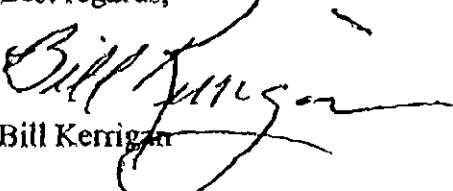
Beautiful Mountain Field

Beautiful Mountain Field consists of ten shut-in gas wells and associated gathering system. Historically, these wells have produced non-flammable gas containing high concentrations of helium. Production from these wells provided inlet gas for the Navajo Refined Helium Plant.

Work to date consists of an individual inspection of each well site and a review of production histories. A 24-hour flow test is proposed for each well in the near future.

Additional work on Beautiful Mountain Field is dependent on acquiring and installation of a Pressure Swing Absorption Helium Extraction Facility. Once installed, gas from Beautiful Mountain and Dineh bi Keyah may be utilized as inlet gas.

Best regards,


Bill Kerrigan



Mountain States Petroleum Navajo 5 #2 L-5-26-1A

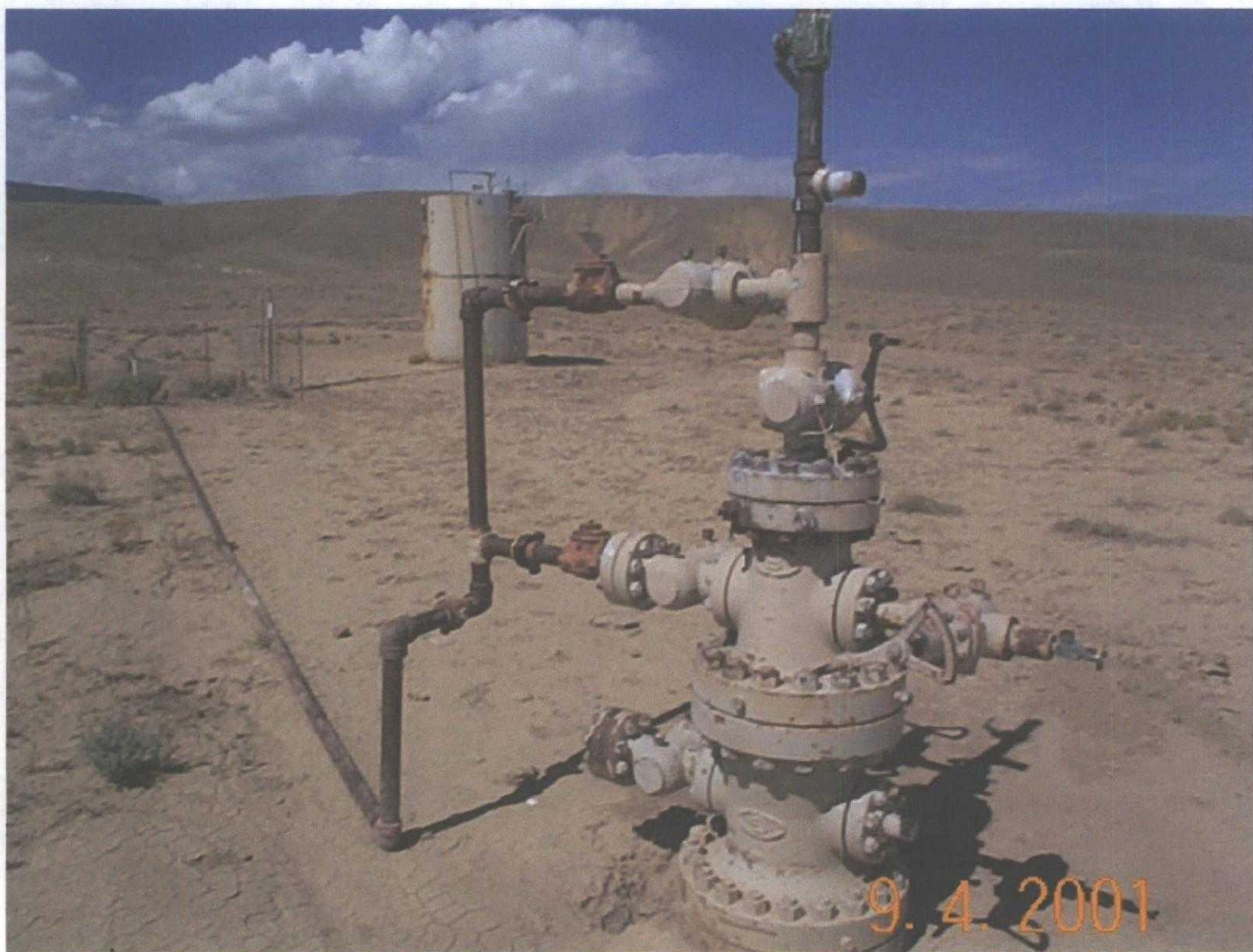
No well sign, well is SF, production equipment is disconnected, appears abandoned.

Large hole on location where pit/Tank use to be.



Mountain States Petroleum Navajo 5 #2 L-5-26-19

Large hole from old pit/Tank.



Mountain States Petroleum Navajo 32 #1 O-32-27-19

API #30-045-22272

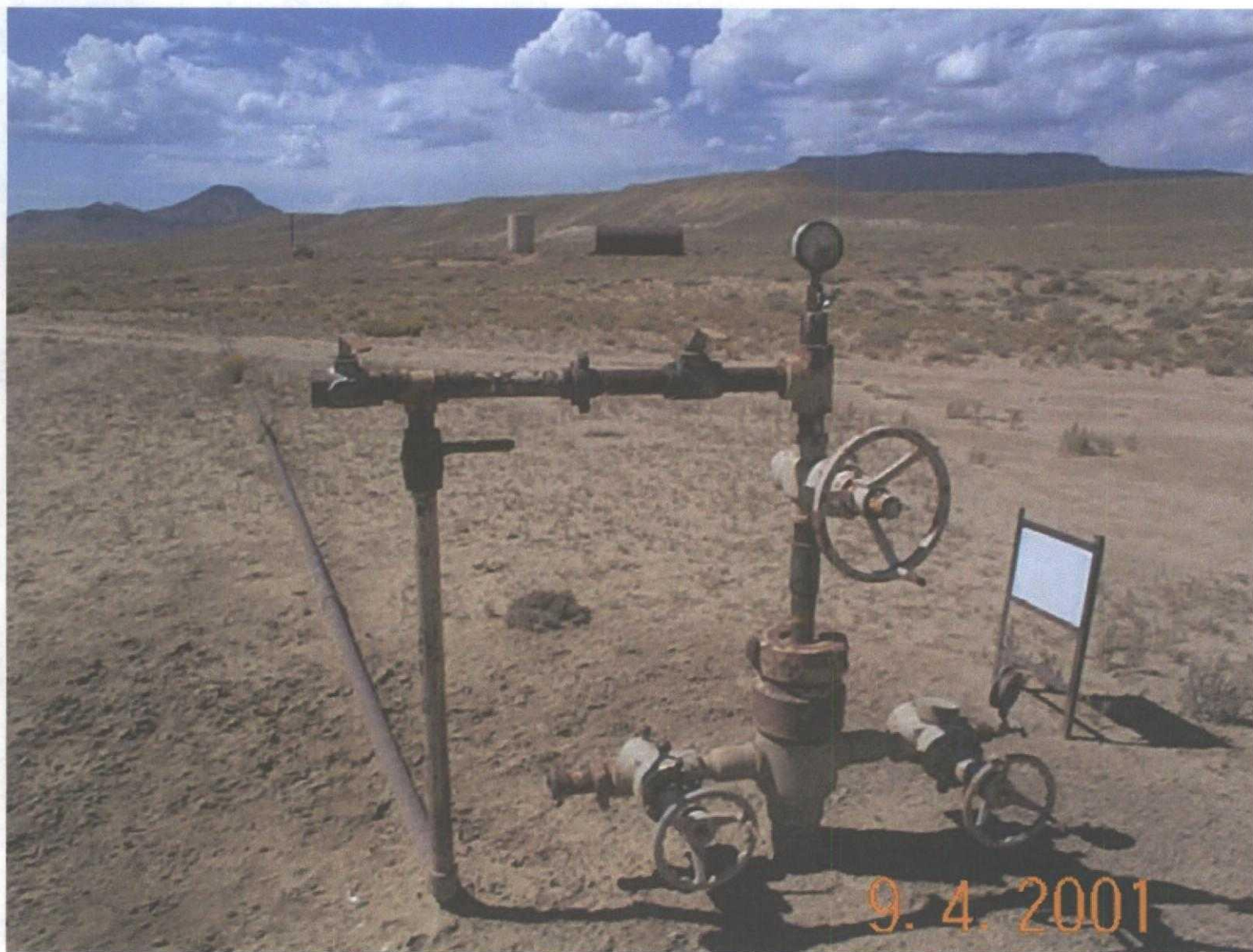
Well is ST, flow line still connected, gas meter has been removed.



Mountain States Petroleum Navajo 5 # 1 F-5-26-19

API # 30-045-21755

Well is SI, production equipment is disconnected, appears abandoned



Mountain States Petroleum Navajo 32#2 B-32-27-19
API #30-045-24945

Well is ST, flow line + Separator are still connected, gas
water has been removed.



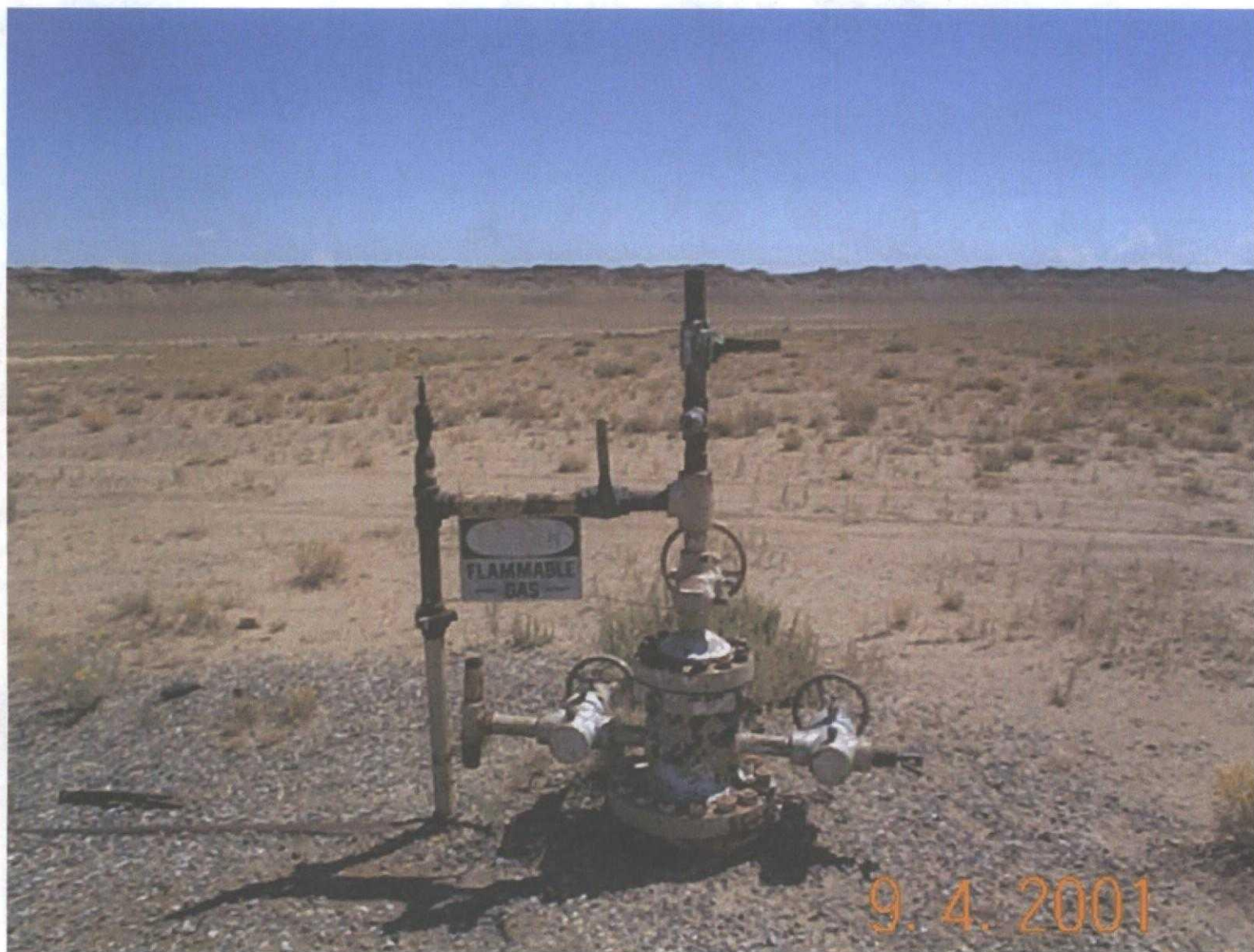
Mountain States Petroleum Navajo Nation AS #1 M-28-27-19
API #30-045-24484

Well is ST, flow line + separator are still connected, gas meter
has been removed.



Mountain States Petroleum Navajo Nation 29 #3 J-29-27-19
API #30-045-252 F3

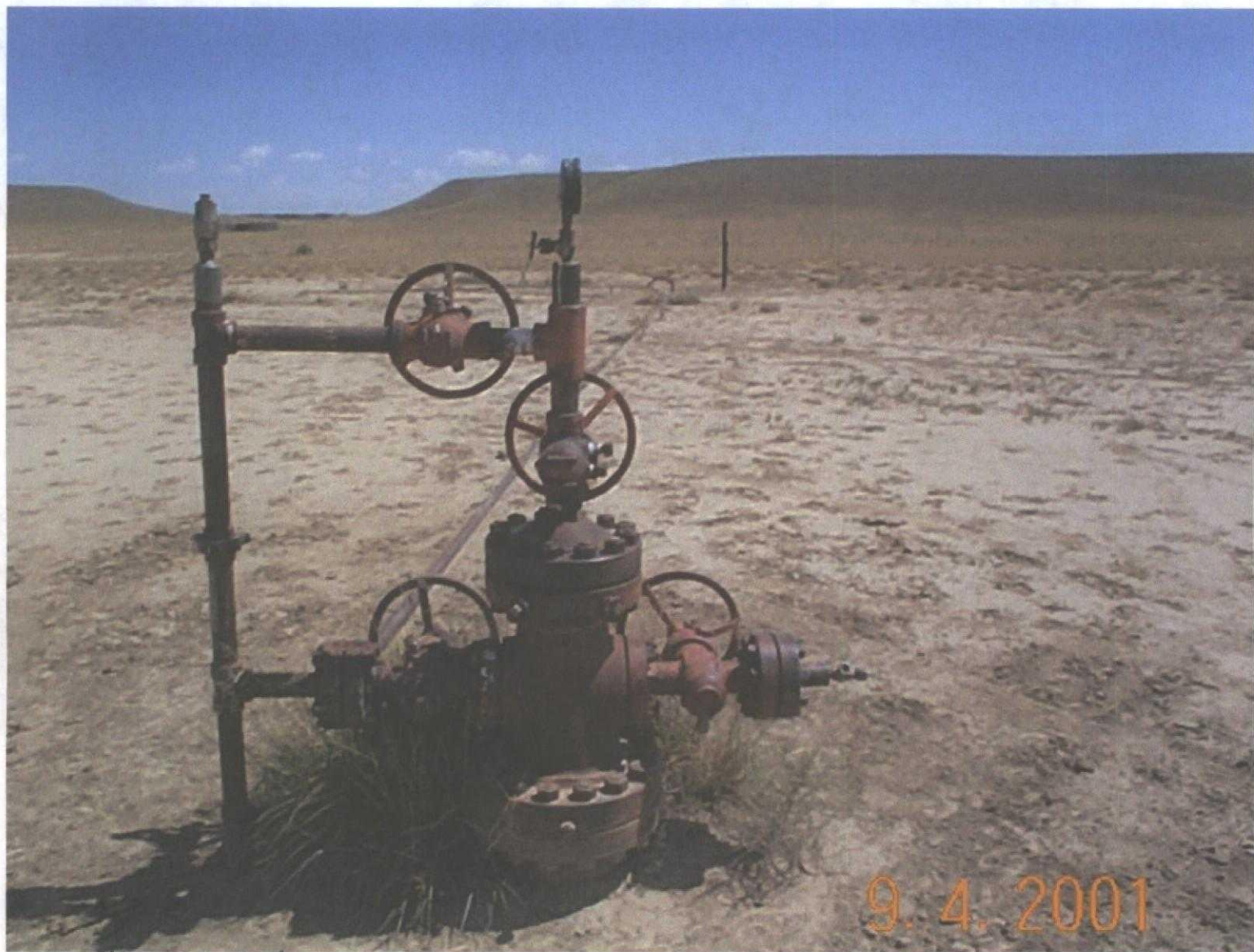
Well is SI, unable to determine status of production equip.
probably all removed.



Mountain States Petroleum Navajo 29 #2 H-29-27-19
API #30-045-25103

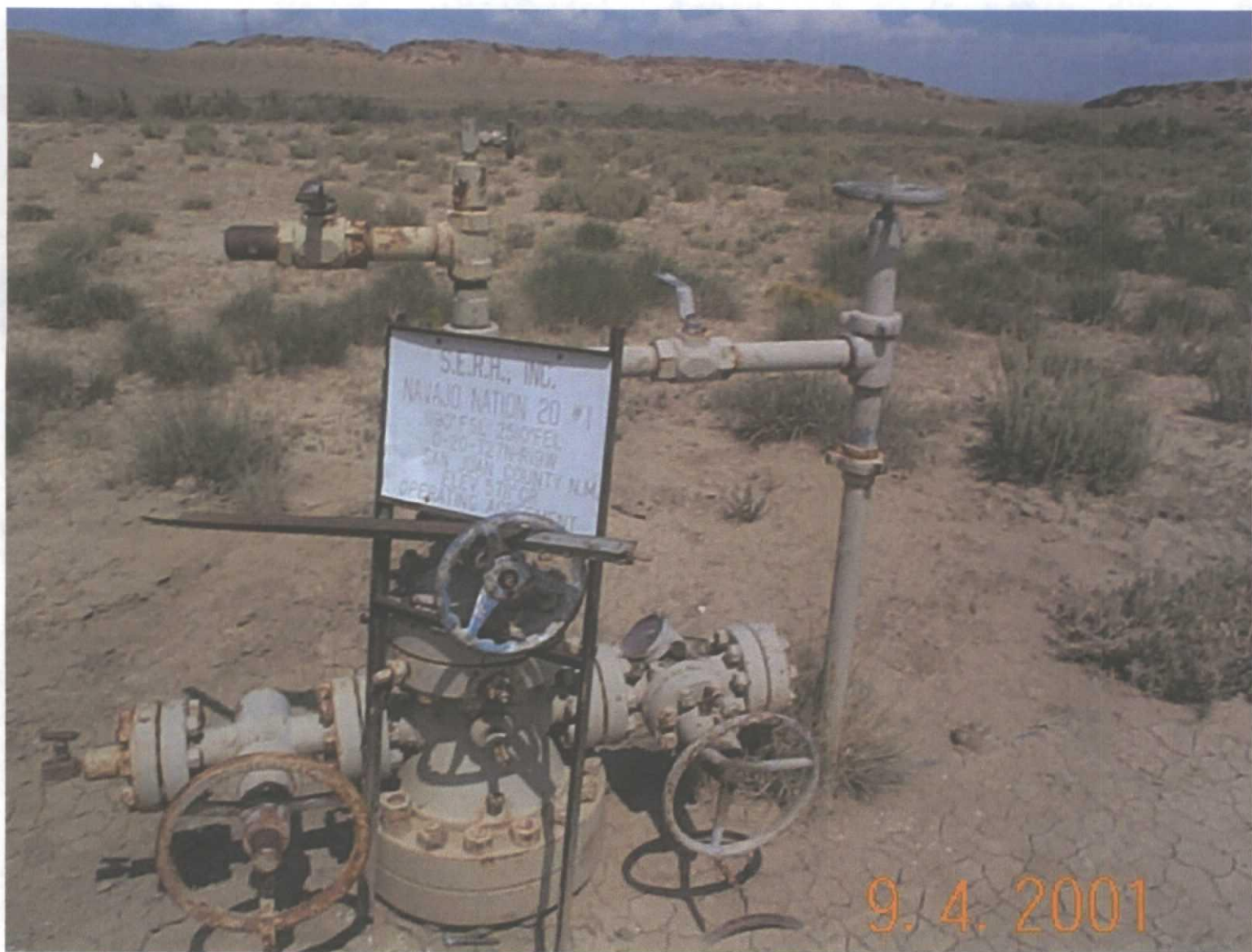
No well sign, well is ST, flow line is disconnected on
discharge side of separator - gas meter is gone.

3 production tanks on location have bottoms starting to rust out.



Mountain States Petroleum Navajo 29 #6 L-29-27-19
API # 30-045-25443

No well sign, well is ST, flow line is ~~at~~ disconnected, no
gas meter.



9.4.2001

Mountain States Petroleum Navajo Nation 20 #1 0.20-27-19
API # 30-045-23004

Well is SI, flow line + separator are still connected, Gas
meter has been removed.

Large unfenced pit on location.



Mountain States Petroleum Navajo Nation 20 #1 0-20-27-19

Large lined unfenced pit at location.