Rocky Mountain Resources
Michael G. Mooney

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July 06, 1998

Mr. Jerry Weant
Stevens & Tull, Inc.
P.O. Box 11005
Midland, Texas 79702

Dear Mr. Weant,

As you are aware an attempted Gyro test was performed on the Sweething State 36 - # 1 well located in Eddy County, New Mexico in June 1998. The procedure was to run inside 2 3/8" tbg with the Gyro to determine exac bottom hole location of the wellbore. As you are also aware the mentioned well is currently flowing at approximately 8 MMCF per day. It was impossible to get the near zero tolerance gyro to the bottom of the hole with these kinds of rates. We attempted to shut in the well and stop the flow but experienced weight problems and were unable to get the tool down the tubing. Adding more sinker bars for weight was not feasible because a 100 lubricator would be needed to allow the wellhead valves to be properly closed so as to add the weights. After several attempts utilizing conventional methods the wireline became tangled and parted - fortunately we were above the master valve on the wellhead and was able to retrieve the tool without incident. If this would have happened inside the tubing we most likely would have lost the well. We would have to kill the Morrow Format on to pull tubing. The Morrow Clays would very likely have swollen and severly hindered the production rates. In talking with Bob Stevens we felt it was not worth jeopardizing our working interest or the State's Mineral interest to determine bottomhole location, instead we used wells that were direct offset for comparison - knowing that natural drift should be the same.

Sincerely,

Michael G. Mooney, Petroleum Engineer

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Dear Mr. Weant,

As of this date I have been in contact with Mark Cocktrell with DIG Directional Services of Midland to get estimated costs for the following: 1) Drill the Sweetthing Federal Unit #2 well and maintain an exact bottomhole location as the surface location or 2) Drill the well at a distance from the lease line using natural drift and then guiding the bottomhole location to a predetermined location. The exact cost is hard to arrive at because of many variables but he estimated that to drill a straight hole with no natural drift would cost $ 100,000, however, to drill the last 1000' to a secified location would only take 3 rental days with the downhole motor and should not exceed $15,000 in additional costs. Please also note that we normally have severe hole problems in the upper part of our open hole (1000' - 2000') which could cause drilling a straight hole to be very risky. Normally we have the severe lost circulation under control by 5000'. My recommendation is to target your downhole location by 7000' and then deviate as needed to reach your target. This can be accomplished by running a Monel Collar and running directional 1-pt surveys every 200'. Trip out of the hole @ 7000' and install your downhole motor and gradually reach your target objective. You should allow an easterly surface location of approximately 200' from your objective since natural drift will be approximately 120' in a westerly direction. This should allow the objective bottomhloe location to be easily obtained without straining the consequential production equipment which will need to be installed later. Please advise as to which procedure you wish to implement and what bottomhole target you wish to obtain.

Sincerely,

Michael G. Mooney, Petroleum Engineer