

Mr. Barry Hunt
Bureau of Land Management

March 30, 1999
Page 2

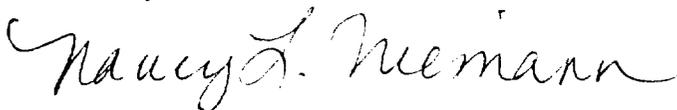
negotiating to purchase the well from Eastland Oil Company. The purchase should be completed by April 1, 1999.

Navajo proposes to reenter the well, squeeze the perforations from 1446 feet to 1462 feet, drill out the plugs and clean out the well to approximately 9200 feet, set 5-1/2 inch casing at 9200 feet and cement it to the surface, and conduct one or more injectivity tests. The proposed injection intervals are porous zones in the lower portion of the Wolfcamp Formation (7270 feet to 7645 feet), the Cisco Formation (7645 feet to 8390 feet), and the Canyon Formation (8390 feet to 8894 feet). Navajo's proposed reentry, testing, and recompletion procedure is included as Attachment C. A schematic of the well after recompletion is included as Attachment D.

Subsurface is currently preparing a discharge plan application for the Class I well for Navajo to submit to the New Mexico Oil Conservation Division and the BLM Roswell office near the end of April 1999. Subsurface is also preparing BLM Form 3160-3 (Application for Permit to Drill) for Navajo to submit to the BLM Roswell office.

Please contact me at (713) 880-4640 to schedule an on-site inspection of the wellsite. Do not hesitate to call me if you need additional information or if you have questions.

Sincerely,



Nancy L. Niemann
Senior Geologist

NLN/paf
Attachments

c: Joe Lara – BLM, Carlsbad
David Glass – BLM, Roswell
Wayne Price – OCD, Santa Fe
Tim Gum – OCD, Artesia
Phil Youngblood – Navajo
Darrell Moore – Navajo
George Walbert – Holly Petroleum, Inc.

355\60a4937\hunt ltr.doc