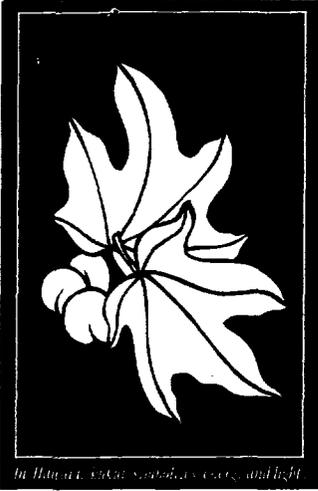


KUKUI Operating Company



August 23, 2001

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

(See Attached List)

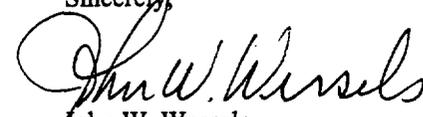
Re: Notice of Application for
Exception to Rule 104

Gentlemen:

KUKUI Operating Company (KUKUI) is in the process of applying for an unorthodox location to test the Wolfcamp, Strawn, Atoka and Morrow zones at a location 660' FWL and 440' FSL of Section 35-T23S-R29E, Eddy County, New Mexico. The well is also designed to test the Bone Spring and Delaware sands at an optimum geological position. Due to a potash mining area, we are unable to permit the well at a legal location for the deeper gas zones. A copy of the application being made to the Oil Conservation Division (OCD) of the Energy, Minerals and Natural Resources Department of the State of New Mexico is attached for your review.

Our records indicate that you are an affected party as a result of this application. KUKUI respectfully requests that you waive any objections to the proposed location by executing this letter below and returning same in the self-addressed stamped envelope. Should you have an objection to this application, it must be filed in writing with the OCD within twenty days from the date the OCD receives the application. If you have any questions, please do not hesitate to give me a call. Thank you for your prompt attention to this matter.

Sincerely,


John W. Wessels
Vice President - Operations

The undersigned hereby waives any objections to the proposed unorthodox location (Rule 104 exception) for Wolfcamp, Strawn, Atoka and/or Morrow production from the Goodnight "35" Federal No. 3.

(Name)

(Company)

(Date)

Enclosure