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March 3, 2005

New Mexico Oil Conservation Division
District 1
1625 N. French Drive
Hobbs, New Mexico 88240

Re: March Compliance Report

We finally received approval from the BLM to recomplete the Lea Unit #3 (API #3002520038) and Lea Unit #5 (API #3002502429) to the Bone Springs. We are currently negotiating with frac companies for their earliest frac date and will move a rig on then as soon as possible.

We have also received approval to TA the Denton #4 (API #3002505278) and are lining up equipment today. We are currently filing notice to add pay on the Hamon A #1 (API #3002530881) and will return it to production using the rig from the Denton #4.

In our field wide study of the Denton Lease we have found an interesting gas zone in the Mississippian. We will soon submit a C-103 to test this zone in the Denton #6. This could lead to some more recompletions in the Denton area.

Sincerely,

Scott McGraw
Operations Manager

