

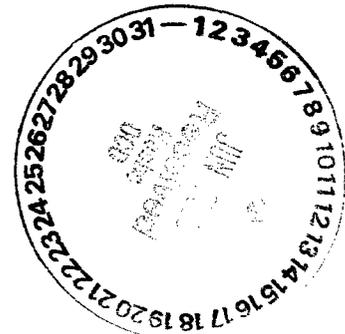


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June 9, 2005

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



Re: June Compliance Report

The Lea Unit #3 (API #3002520038) is now on production in the Bone Springs. We are currently filing completion papers on this well. Because of this well's success we are now preparing an AFE to recomplete the Lea Unit #7 likewise.

The Denton #12 high volume lift appears to be economic and we are preparing AFE's to do the same to Denton #11 and #13. We have some water disposal problems to work out prior to this work.

We are currently running a 4 pt test on the Denton #6 (API #3002505280) in the Mississippian. We will then shop the gas around as our casinghead gas contract with J. L. Davis is very bad. Once we get an economical market, then we intend to recomplete both the Denton #5 and #9 to the Mississippian.

The Hamon A Fed #1 (API #3002530881) has been approved to add pay in the Bone Springs and we are currently waiting on a rig to start work.

Sincerely,

Scott McGraw  
Operations Manager