

**BIRD CREEK, L.L.C.**  
7134 S. Yale Avenue, Ste. 600  
Tulsa, OK 74136  
(918) 496-2626  
(918) 496-3996

August 28, 2001

State of New Mexico  
Energy, Minerals and Natural Resources Dept.  
Attn: David Catanach  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM. 87505

RE: Form C-107-A  
Dunn #1  
Eddy County, NM.

VIA FAX

Dear Mr. Catanach:

In response to your letter of 8/22/01 I have enclosed an executed Administrative Application Checklist together with a decline curve for the Otis-Morrow Pool for the captioned well. Regarding your request for clarification of our production allocation from the Atoka and Strawn formations, we have formulated the following answer:

**ATOKA:** As we discussed you are not concerned with this formation, as there is only one offset well producing from the Atoka

**STRAWN:** The Strawn has produced from 5 offset wells to the Dunn #1 in this area. They include the Neely #1, Weems #1, Henry #1, Henry #2 and Ferguson #1. The productive interval within the Strawn in these wells is a limestone reef or algal mound build-up ranging from approximately 225' thick in the Neely #1 and Weems #1 to 460' thick in the Henry #1 which is located in the middle of the structure. Reservoir porosity is erratically distributed throughout the algal mound and is generally facies related, occurring with the algal facies. Loss of algal facies results in stratigraphic entrapment of gas.

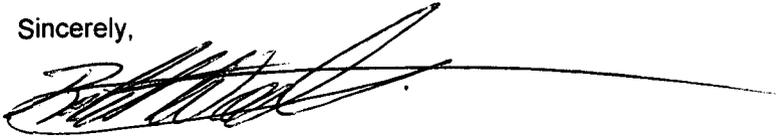
The Dunn #1 is the most easterly well penetrating this particular algal structure and contains 250' of gross build-up. The Dunn #1's relative position to the structure with respect to the amount of gross build-up is similar to the Neely #1 and Weems #1 which are both located on the west end of the structure. The amount of net pay in all three wellbores is also comparable. Regional dip runs east to west with the Dunn #1 in a down-dip position relative to the west end wells.

With this in mind, the estimated initial stabilized rates for the Strawn in the Dunn #1 are based on the following factors:

- a.) Gas volumetrics and current reservoir pressure of the Strawn reef structure
- b.) Relative positioning to the structure and the amount of gross and net pay present in the wellbore
- c.) Average and current GOR's of offset Strawn producers
- d.) Current production capabilities of offset wells with similar relative positioning to the structure and comparative gross and net pay, (i.e. Neely #1 and Weems #1).

We trust that this explanation is sufficient to allow you to process and approve our application. Thank you for your assistance in this matter and if you have any questions please call me at (918) 496-2626.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Wadley', with a long horizontal line extending to the right.

Robert Wadley  
Regulatory Analyst

Rw/

enclosures