

RECEIVED

JUL 14 2003

OIL CONSERVATION
DIVISION

Sonoma Energy Corporation

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Montgomery, Texas 77356
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July 8, 2003

Mrs. Katie Whitson
Dennis Cattle Company
P.O. Box 1106
Tucumcarri, New Mexico 88401

RE: Lease Renewal

Dear Katie,

We have received notification that you and your Board have elected to not renew our lease on the 800 acres. As time goes by, you will come to realize your decision was shortsighted and not in your best interests.

Please allow this letter to serve as your notification that Sonoma Energy still own the Sonoma # 1 well located on your property. Later this summer, or early fall, Sonoma Energy will perform an integrity test on the casing as required by the state, and will allow the well to stay in its current inactive status until we are able to drill and test the last and final formation.

This inactive well status, will require the landowner or any new operator whom leases your 800 acres, to comply with the state spacing requirements, and any attempt to drill a new well within 330 feet from a Section Line, or 1/4 - 1/4 line, will require Sonoma Energy to intercede and have the drilling permit canceled by the state.

However, if you and your board or the new operator wish to purchase the well from Sonoma Energy, or if you wish to have the well transferred back to the Dennis Cattle Company, we may have interest in discussing an arrangement with you.

Best Wishes

COPY
John Lapaglia, CEO
Sonoma Energy Corporation

Cc: Roy Johnson
Robbie Walters