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May 3, 2005

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



Re: May Compliance Report

The Lea Unit #5 (API #3002505279) was successfully recompleted to the Bone Springs and is producing 90 BOPD and 170 MCFPD. We are currently filing completion papers on this well.

We have a frac date of May 17th on the Lea Unit #3. The Lea Unit #7 will be recompleted pending the results of the #3 frac.

We are waiting on partner and BLM approval to test the Bone Springs in the Hamon A Fed Com #1 (API #3002530881).

A rig has been moved to the Denton #12 to acidize the Wolfcamp and install high volume lift. If this is successful, we will do the same on the Denton #11 and #13.

This rig will then move to the Denton #6 to test the Mississippian gas zone. If this is successful, the same will be done to the Denton #5 and #9.

Sincerely,

Scott McGraw
Operations Manager