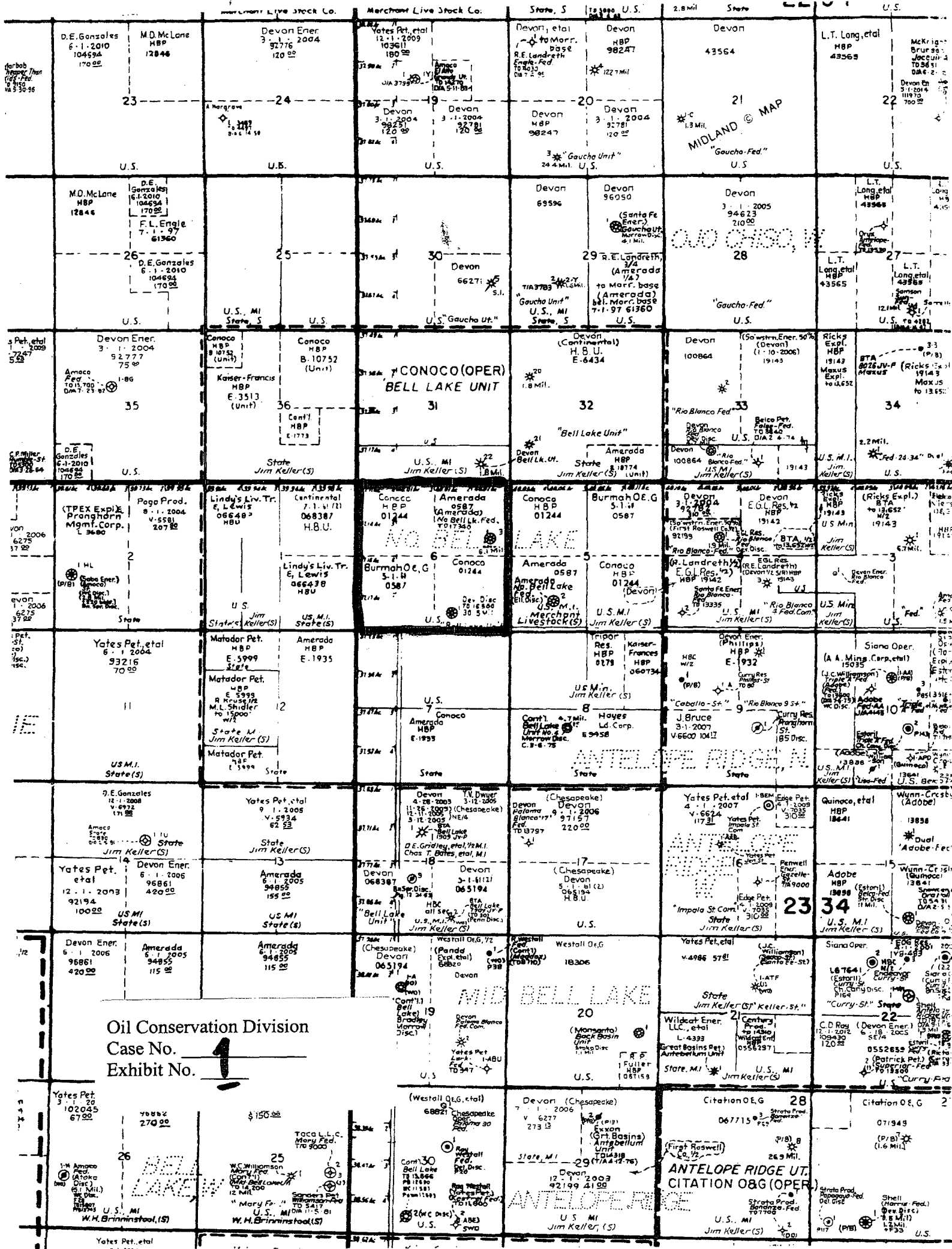
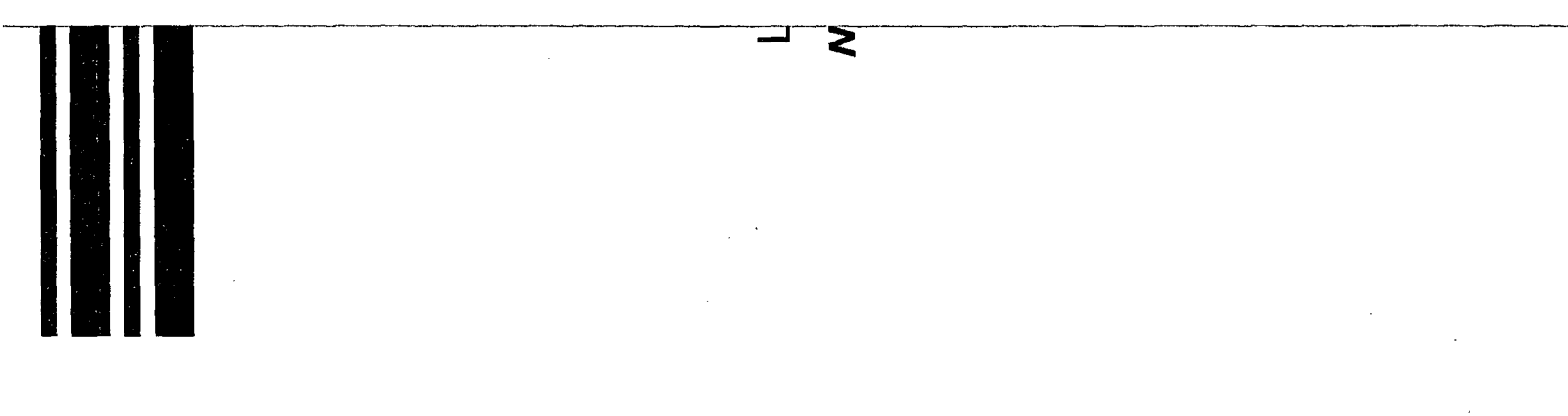




Oil Conservation Division
Case No. 1
Exhibit No. 1



RECEIVED

JUL 20 2006

TULSA
LAND DEPT.

July 19, 2006

Certified Mail - 70051820000714567445

Apache Corporation
Two Warren Place, Suite 1500
6120 South Yale
Tulsa, OK 74136

RE: Recomplete N. Bell Lake Unit 3-6
To the Devonian Formation
NE/4 Section 6-23S-34E, Lea, NM

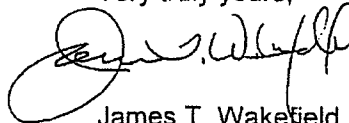
Gentlemen:

Kaiser-Francis Oil Company as operator of the Bell Lake Unit properties proposes to abandon the non-commercial Ellenberger production in the subject well and recomplete it in the Devonian formation. The Ellenberger zone in this well is reportedly producing less than 30 MCF/D and is uneconomical to produce. The Devonian formation produced 4,621 MCF/D and 1,344 BW/D on a DST from the zone 14,590' to 14,692' during drilling operations. The attached AFE in the amount of \$200,000 is submitted for your approval to effect this recompletion to the interval 14,570' to 14,580' (top 10' of Devonian porosity). It is hoped that the initial completion of this zone would be relatively water free. However, in the event that water production is significant the current Bell Lake SWD well cannot handle the volume. Consequently, Kaiser-Francis Oil Company plans to re-enter the Bell Lake Unit 4-15 well located in the SW/4 of Section 8-23S-34E for use as a SWD well dedicated to the NBLU 3-6 wellbore at a cost of \$522,000. Please approve both AFE's if you choose to participate in this recompletion.

Given the risk of water production in the Devonian, it is possible that some working interest owners may not wish to participate in this recompletion. As a result Kaiser-Francis Oil Company is willing to purchase rights to this wellbore and/or in the North Bell Lake Unit if you should decide to sell. Also, be advised that the JOA provides for a 150% non-consent penalty if you choose to not participate and retain your working interest.

Please feel free to contact me at 918-491-4510 or by email at jimwake@kfoc.net if you have any questions regarding this proposal.

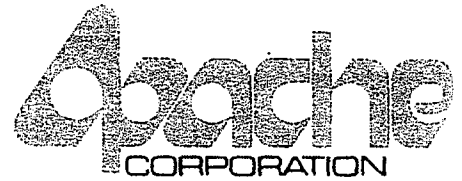
Very truly yours,



James T. Wakefield

Oil Conservation Division
Case No. 7
Exhibit No.

6120 SOUTH YALE / SUITE 1500 / TULSA, OK 74136-4224



Telephone (918) 491-4900
WWW.APACHECORP.COM

August 29, 2006

KF ENERGY, L.L.C.
P.O. Box 2101
Tulsa, OK 774101

Attention: Wayne Fields

Re: North Bell Lake Unit #3-6 Recompletion
NE/4 of Section 6-23S-34E
Lea County, New Mexico

Gentlemen:

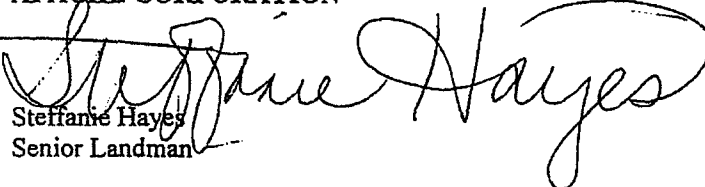
Pursuant to your proposal dated July 19, 2006, Apache Corporation, as operator of the referenced well, hereby elects to participate and perform the recompletion to the Devonian formation on behalf of the Bell Lake Unit owners.

As you are aware, Apache has ordered a title opinion covering Section 6-23S-34E, Lea County, New Mexico. As soon as the title opinion is received, a copy will be provided to you. Apache will send a proposal to any partners that have not previously been contacted. Furthermore, Apache is proceeding with the filing of the necessary OCD applications for this recompletion. Finally, an Apache AFE detailing the costs for this recompletion will be forwarded in the next few days.

Should you have any questions or require further information, please do not hesitate to contact me at (918) 491-4815.

Sincerely,

APACHE CORPORATION


Stephanie Hayes
Senior Landman

SLH/

Enclosures