



October 18, 2004

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BUREAU OF LAND MGMT.
ROSWELL OFFICE

20-015-71209

Bureau of Land Management
Roswell District Office
2909 West Second Street
Roswell, NM 88201-2019

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OCT 28 2004

ESP-ARTESIA

Re: 1994-2004 Report of Operations
2005 Plan of Development
Hackberry Hills Unit
Eddy County, NM

Gentlemen:

Pursuant to the terms of the Operating Agreement (paragraph numbered 10) covering the subject Unit and dated January 26, 1961, we are submitting the above-referenced report.

Please do not hesitate to contact us if you have any questions or need anything further.

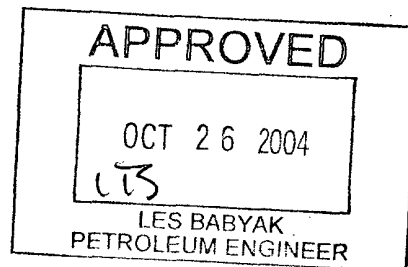
Sincerely,

Tamara Williams

Tamara Williams
Land Department

/jm

Enclosures



**1994-2004 REPORT OF OPERATIONS
2005 PLAN OF DEVELOPMENT
HACKBERRY HILLS UNIT
EDDY COUNTY, NEW MEXICO**

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BUREAU OF LAND MGMT.
ROSWELL OFFICE

1994-2004 Report of Operations

The Hackberry Hills Unit covers the south half of Section 1 and the north half of Section 12, Township 22 South, Range 25 East in Eddy County, New Mexico. The unit area encompasses approximately 640 acres. The original well in the unit is the Hackberry Hills Unit #1 located 880 feet from the south line and 2,130 feet from the east line in the SW/4 SE/4 of Section 1. This well was spudded in February, 1961 and completed in August, 1961 in the Hackberry Hills (Canyon) Sand through perforations at 9,622' - 9,654'. Attached are a Production Data Report and a Production History Graph specifying cumulative production.

Effective May 1, 2000, we entered into an agreement with Nearburg Exploration Company, L.L.C. under which they had eighteen (18) months in which to drill within the unit from the surface down to and including the Base of the Morrow Formation.

30-015-31209

On August 1, 2001, Nearburg Exploration Company, L.L.C. completed the White Tip 12 Federal Com. #1. The well was drilled under the Communitization Agreement No. NMNM106833, which was recorded in Book 425, Page 360 of the records of Eddy County, New Mexico.

2005 Plan of Development

Vernon E. Faulconer, Inc., itself, does not have any plans for new development at this time.



VERNON E. FAULCONER
INCORPORATED

Date: 10/04/04
Time: 15:36:36

PRODUCTION HISTORY

File: master
Get#: 200

HACKBERRY HILLS UNIT #1

EDDY COUNTY, NM

HACKBERRY HILLS (CANYON) FIELD

VERNON E. FAULCONER, INC.

CASE: PRDP-NM-HACK-8960 -HACKBERRY HILLS UNIT #1

GAS-SOLID OIL-DASHED NGL-DASHDOT WTR-LONGDASH

100000

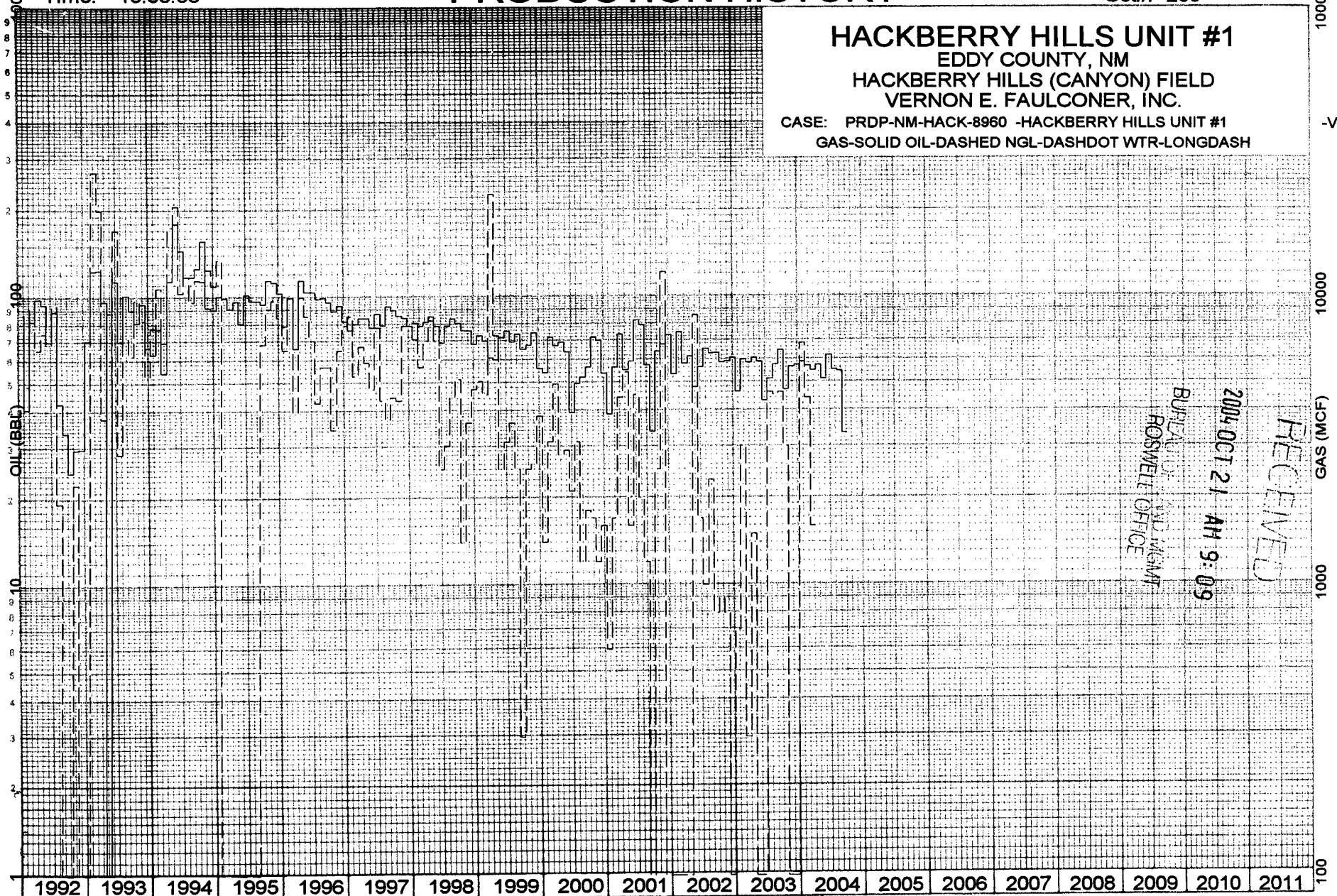
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GAS (MCF)

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ROSWEIL OFFICE

YEARS