

JIM PIERCE

OIL AND GAS PROPERTIES
SUITE 859
PETROLEUM BUILDING
200 WEST FIRST
ROSWELL, NEW MEXICO 88203

October 1, 2002

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New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
1301 W. Grand Avenue
Artesia, NM 88210

Attention: Mr. Gerry Guye, Compliance Officer

Re: Tenneco State #1/ API #30-015-24904
State S #2/API #30-015-03582
Leonard A State #1/API #30-015-03603
T19S, R29E, NMPM
Eddy County, NM



Dear Mr. Guye:

I am in receipt of your letters dated September 13 and September 16, 2002 regarding non-compliance of the captioned wells.

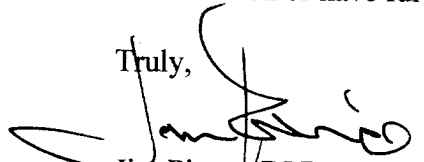
We have made arrangements to convert and/or re-establish the State S #2 and Leonard A State #1 to water injection wells, or in the event this endeavor proves uneconomical, will plug and abandon accordingly. The C-103's will be provided for approval concerning all work proposed.

The Tenneco State #1 is a producing well and its well sign has been replaced. I am unaware of the oil spill noted, however, will take immediate measures for its proper "clean-up".

Apparently, this spill occurred while Ready Oil and Gas Management was Operator and responsible for subject lease.

I appreciate your help and consideration in this matter.

Please contact me should you need additional information or have further instructions.

Truly,

Jim Pierce RLP

JP

Xc: Morexco, Inc.