

I.T. Properties

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01 MAY 29 PM 1:06

Via Mail

May 21, 2001

Mr. Mike Stubberfield
Mr. Tim Gum
New Mexico Oil Conservation
811 First St.
Artesia, NM 88210



Re: Re-completion and Casing Repair
DHY State #1
Section 23 T 19S R 28E
Eddy County, New Mexico

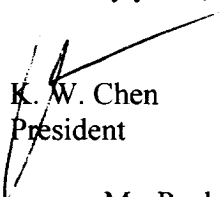
Dear Mr. Stubberfield,

Our recent rig work on May 1, and May 2, 2001 indicated the damage to our well bore is considerably more severe than anticipated. Instead of a casing leak, the casing for the well has actually parted at 3,900'. Before we can repair the parted casing, we shall require additional financial approvals (about \$100,000) for an AFE by our partners: Yates Petroleum, Yates Drilling, Abo, Myco and Devon Energy. The anticipated approval process requires an additional 30-day period. Assuming we obtain such an approval, we need the customary waiting time for rigs. I. T. Properties is committed so that the casing repair work will be performed in a most expeditious manner.

It is my understanding that from our telephone conversation on May 11, 2001, OCD and your office has agreed to extend the May 25th OCD hearing on this well for an additional month to June 29, 2001. I am writing to state that this is agreeable to us.

Should there be any matters regarding this extension, please feel free to call this office.

Sincerely yours,


K. W. Chen
President

cc: Mr. Paul Owen (via mail)
Mr. Steven Ross (via mail)