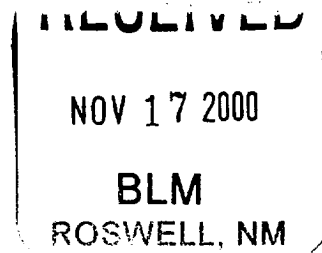


NMOC -

VERNON E. FAULCONER, INC.



November 14, 2000



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

Re: 1994-2000 Report of Operations
2001 Plan of Development
Hackberry Hills Unit
Eddy County, NM

Gentlemen:

Pursuant to the terms of the Operating Agreement, covering the Hackberry Hills Unit, which is dated January 26, 1961 under paragraph numbered 10, we are submitting the above-referenced report.

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

Sincerely,

Joan Mullenax

Joan Mullenax
Land Department

/jm
Enclosures

(ORIG. SGD.) GARY GOURLEY

APPROVED
[Signature]
Larry D. Gray
PROXY OFFICER, MINERAL
DIVISION OF LAND MANAGEMENT

11/20/00

1994-2000 REPORT OF OPERATIONS
2001 PLAN OF DEVELOPMENT
HACKBERRY HILLS UNIT
EDDY COUNTY, NEW MEXICO

1994-2000 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 only 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'. The entire unit area is dedicated to this well which is producing. Cumulative production through September, 1998 is 5.42 BCF and 75.84 MBO.

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

2001 Plan of Development

Vernon E. Faulconer, Inc. awaits, with much anticipation, the completion of Nearburg Exploration Company, L.L.C.'s well.

Vernon E. Faulconer, Inc., itself, does not have any plans for any operations.