

- 3) Lakey #1 (Sec. 20-T23S-R28E) - This well was recompleted uphole to the Bone Spring at 6,246-6,370' in 1989 but was unsuccessful. Prior to moving uphole two additional plugs were set in the 5-inch liner (which now has 3 plugs in it).

Hallwood is requesting a variance to the regular plugging procedures for this well for two(2) of the cement plugs:

- a) Eliminate the Penn. plug at approximately 10,650-10,750'.
- b) Eliminate the Wolfcamp plug at 8,886-8,986'.

The main reason for requesting that these plugs be eliminated in this well is due to the fact that 7-5/8" cement retainer is set at 6,440' with cement below it to squeeze perfs at 6,450'. Then a 7-5/8" CIBP is set 40 feet above the retainer at 6,400'. The cost to drill out these two plugs could be substantial and we believe the well can be plugged just as effectively by leaving these plugs in place. Also, this well is somewhat unique in that a tie back liner (5" 18#) was run from 7,343-9,415' and cemented with 230 sacks of cement. Thus, this well has two(2) strings of casing and cement from 7,343 to 9,615', which covers the Wolfcamp formation at 8,936'. It is also conceivable that the two 7-5/8" plugs and cement at 6,400-6,450' could not fully be drilled up to allow entry back into the 5-inch liner to set any plugs, or that the 7-5/8" casing could be damaged while trying to drill them out.

As an alternative to the "normal" plugging procedures like that planned for the Cassidy and Guitar Estate wells, Hallwood is suggesting a 500 foot cement plug (125 sacks) in the 7-5/8" casing from the CIBP at 6,400' up to 5,900'. This larger plug would cover the Bone Spring (6,052'), the existing perfs (6,346-6,370') and the 7-5/8" stage tool (at 5,934'). We would WOC and tag this plug and insure that it is at 5,900'. With the combination of this larger cement plug, nearly 2,300' of double strings of casing and cement, and the three(3) existing plugs below in the 5-inch liner there should be no future concerns as to the integrity of this plugged wellbore.