

Also enclosed for your consideration are AFE's. We believe we can look at this interval for approximately Ten Thousand and no/100 (\$10,000.00) Dollars more than it will cost to plug and abandon the well, considering the salvage value of the equipment.

Our procedure simply outlined:

- 1) Run a free point to determine where casing is free above top of cement - estimated to be approximately 3,800 feet per our cement temperature logs.
- 2) Cut 4 1/2" casing and pull up enough to be sure it is free, circulate and condition hole.
- 3) Pull all 4 1/2" out of hole.
- 4) Go back into hole with Lyne's Packers on 2 1/2" tubing - the packers to be spaced so that the interval between them is 20 feet, and there is approximately 3,550 feet of tubing above the top packer. It must be run below zone to be tested.
- 5) Run a Gamma Ray correlation log in the tubing to determine exactly the relation of the packers to the interval to be tested.
- 6) Raise the packers up until they straddle the interval, set them, open the tool.
- 7) If necessary to test, swab tubing down, the zone can be washed lightly with mud acid to determine possible productivity.
- 8) If productive - run 4 1/2" casing back to 3,550 feet and cement it - completing the well by perforating the tested interval and acidizing.

We have explored the ways which we feel will most accurately evaluate the zone, and believe this to be the best and least expensive. Should it prove to be unproductive of oil and gas, we will proceed to plug and abandon the well as required by the New Mexico Oil Commission.

You recall, there is not a non-consent provision in the agreement, however, you have no obligation to participate in this effort. The only penalty incurred, should you choose not to participate, will be the loss of your proportionate interest in this and possible future wells should it be successful.

We anticipate that the cost to properly plug and abandon the well will very closely approximate the value of the salvage. Those of you who do not wish to participate in the testing of this zone will only bear your portion of the cost of plugging and abandoning the well and will be credited with your portion of the salvage proceeds.

Should you have any questions we shall try to answer them to your satisfaction. If you wish to participate in this proposed test, please signify your approval on AFE No. 2, returning a copy to us along with your payment as shown on the attached Exhibit A. Should you elect not to participate, please so indicate by signing and returning to us AFE No. 1.

