

In an attempt to isolate the two zones, we ran two strings of tubing and a dual packer assembly. For a period of approximately two weeks, while flowing and cleaning the fluids out of the well, we had perfect sealing of down hole equipment and complete isolation. To stimulate the lower zone we used mud acid. During the treatment, we had a failure in some portion of the equipment below the upper packer assembly, and the two zones now exhibit communication.

For the past several weeks, we have run a series of flow and shut in tests and have observed the following: During maximum shut in, the two tubing strings never equalize. While producing either string, the other string has a corresponding drop in pressure, but never equalizes. Throughout any series of tests, the annulus pressure remains the same, except for temperature variances.

|                                                     |       |
|-----------------------------------------------------|-------|
| 119 hour shut in, lower zone                        | 5891# |
| 72 hour shut in, upper zone                         | 6234# |
| Two weeks shut in, annulus                          | 500#  |
| Flow lower zone: Lower 2400#, Upper 2490#, Csg 190# |       |
| Flow upper zone: Upper 3750#, Lower 3700#c Csg 110# |       |

The above is an example of one series of tests.

Attached is a sketch of our well design and our down hole completion assembly.

After discussing the well conditions with you, we propose the following for your consideration.

1. A gas discovery in the Pennsylvania formation
2. 320 acre spacing
3. Due to high workover costs (estimated 75 to 100 thousand dollars) permission requested to consider this single completion, with present well conditions. Heavy mud would be required to kill these zones during workover, and