

# Bearcat Drilling, LLC

5424 US Highway 64  
Farmington, NM 87401

PO Box 717  
Farmington, NM 87499

Phone: 505-327-5218  
FAX: 505-564-9185

December 17, 2002

Phoenix Hydrocarbons Operating Corporation  
Attn. Phyllis

30-045-30807

FAX: 915-686-7798

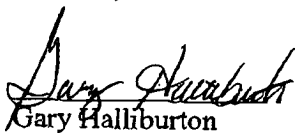
Re: Deviation Report  
Federal M #1B  
K Section 3/27N/8W  
San Juan, NM

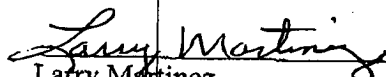
Phyllis,

The following surveys were taken by our crews on Rig #1 during the drilling of the above mentioned well.

|           |           |
|-----------|-----------|
| 110' 1    | 2130' 2   |
| 238' 1    | 2373' 1 ½ |
| 516' 1 ¼  | 2770' ¾   |
| 912' 2 ¼  | 3240' 1   |
| 1131' 1 ½ | 3740' 2   |
| 1530' 2   | 4243' 1 ¾ |
| 1830' 2 ¼ |           |

Sincerely,

  
Gary Halliburton  
Safety/Personnel/Contracts

  
Larry Martinez  
Asst. Drilling Superintendent