

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

February 12, 2002

FEDERAL EXPRESS

Kaiser-Francis Oil Company
6733 S. Yale
Tulsa, OK 74136
ATTN: Wayne Fields

Kudo Petroleum, LLC
Mika Petroleum, LLC
4925 Greenville Ave., Suite 965
Dallas, Texas 75206
ATTN: Mr. Frank Stroube

RE: Wapiti "31" Federal Com. #1 Well
E/2 Section 31, T-18-S, R-34-E
Lea County, New Mexico
Elk 01 Prospect

Gentlemen:

Attached please find Order #R-11724 from the Oil Conservation Division of the State of New Mexico pooling the captioned lands. I have also enclosed an AFE for the drilling and completion of said well.

Pursuant to the terms of the order, you have thirty (30) days to pay your proportionate share of the estimated well costs. In the event payment is not made within 30 days, payment will be withheld from your share of the proceeds for your proportionate share of the well costs plus a 200% risk charge.

If you have any questions or comments, please do not hesitate to contact me at (915) 686-8235.

Sincerely,



M. Craig Clark
Land Consultant

MCC/dw
encl.

cc: Mr. David Brooks
State of New Mexico
Oil Conservation Division
1220 S. Saint Francis Dr.
Santa Fe, NM 87505

Case # 1279