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JUL - 6 2006

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July 5, 2006

State of New Mexico
Oil Conservation Division
Attn: Mr. Bryan Arrant
1301 W. Grand Avenue
Artesia, NM 88210

Re: San Remo 32 #1
API #30-015-3370
Sec. 32, T-16S, R-26E
Eddy County, New Mexico

Dear Mr. Arrant,

I am writing this letter in regards to your email dated July 3, 2006 with the question as to why Preston Exploration is just now submitting a C-104 when the well was completed back on December 19, 2005. According to our records, Preston Exploration did submit a completion report and a C-104 on January 11, 2006 and after looking for the PUN number for the San Remo, we noticed that there was still no signed completion report or C-104 for this well. That is when we sent in another set of originals, which brings us to where we are at today. Please contact me if you need further explanation.

Regards,

Lindsay Truesdell