

DERREL C. MELTON  
3905 Martingale Drive  
Plano, Texas 75023  
972-758-1073 (Phone)  
972-758-1934 (Fax)

August 9, 2004

Mr. Chris Williams  
New Mexico Oil Conservation Division  
1625 North French  
Hobbs, New Mexico 88240

Re: Dyad - #4 New Mexico "BO" State  
API #30-02502321  
S/2 SE/4 of Section 12-T18S-R34E  
Lea County, New Mexico

Dear Chris,

Attached is a copy of a previously approved C-101 with respect to the above captioned well. As you will note the permit is for a re-entry attempt. We began operations last week and have been unsuccessful in getting back in the cut 8 5/8ths casing. A wellbore schematic is also attached. We have probably washed down and drill beside the casing stub. Our total depth is 1,050 feet. The top of the stub is at 1,021 feet by wireline measurements.

Therefore, we propose to run our 8 5/8ths casing to 1,050 feet and cement per your instructions and continue to drill a new 7 7/8ths inch hole to a depth of approximately 5,000 feet. Evaluate and run 4 1/2" or 5 1/2" casing.

We are using a drilling rig for our re-entry attempt and it is capable of drilling to 5,000 feet.

We respectfully request your approval to continue our operations per the above.

Your very earliest consideration to this request will be appreciated. Please give me a call at 972-758-1073 (o) or 972-489-6803 (c) or Mike Ethridge at 325-650-5700.

Very truly yours,

*Derrel C. Melton*  
Derrel C. Melton  
on behalf of Dyad Petroleum Company

*8 5/8" to be circulated  
to surface. CW*

Dyad Petroleum Company  
Fairway Minerals Corporation