

PALOMA RESOURCES, INC.
P.O. Box 1814
Roswell, New Mexico 88202

April 24, 1994

Mr. Jerry Sexton
NMOCD--Hobbs
P.O. Box 1980
Hobbs, New Mexico 88240

RE: Peery Fed. #2
1980' FEL & 660' FSL
Sec. 29-T15S-R30E
Chaves County, New Mexico

Dear Sir,

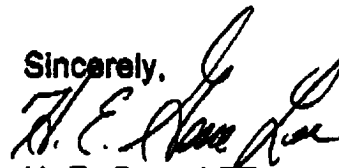
This letter is to notify you that the above well has been plugged back from the Little Lucky Lake Devonian to the Morrow formation. Perforations are from 9992--10,006' in the lower Morrow Formation. The S/2 of Sec. 29-T15S-R30E is currently dedicated to the Peery Fed. #3 well located in Unit K of the same section.

I am notifying you that Paloma Resources, Inc. is hereby temporarily assigning the S/2 proration to the Peery Fed. #2. An application for a Hearing De Novo is currently being submitted pertaining to this well. The Peery Fed. #3 well is currently shut in and will be left shut in until a determination can be made to the proration of the two wells. Current production of the Peery Fed. #2 is 1400 mcf/d and 78 bbls condensate per day. Last production of the Peery fed. #3 was 415 mcf/d and 1 bbl condensate every other day.

The Peery Fed. #2 went into production into the GPM Gas Corporation pipeline on 4-23-94. Please find enclosed a copy of the C-122 forms for the Peery Fed. #2 well. Testing of flow rates and bottom hole pressures are necessary from this well for evidence at the proposed hearing. The Peery Fed. #3 well will remain shut in during flow testing of the Peery Fed. #2.

If you have any questions or comments please call or write. Thank you for your consideration in this matter.

Sincerely,


H. E. Gene LEE
Agent