

Southern Union Exploration Company

December 1, 1978

New Mexico Energy & Minerals Department
P. O. Box 1980
Hobbs, New Mexico 88240

Attn: Mr. Jerry Sexton

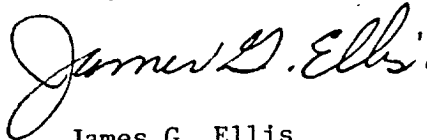
Re: Gallagher "8" State #3 & Supco State #2

Dear Sir:

With regard to your memo of November 16, 1978, which see attached, the captioned wells have not been tested using the 4-point method due to lack of deliverability from each well. Extensive evaluation has, and is, in progress toward improving both wells through re-stimulation, since the present capability of each well is around 100 MCFD. The re-stimulation recommendations are to be presented to management for approval, afterwhich the work will commence.

If you desire a one-point test submitted prior to the work, please advise.

Very truly yours,



James G. Ellis
Chief Petroleum Engineer

JGE:mt

cc: Ron Sentz - w/att
Martin Boggs - w/att