

William V. Palmer  
Cactus Operating Co. LLC  
1907 W. Jefferson Ave.  
Lovington, NM 88260

May 10, 2000

Chris Williams, Manager  
New Mexico Oil Conservation Division  
1925 French Drive  
Hobbs, NM 88240

Dear Mr. Williams,

This letter is in reference to the San Simon State properties formerly owned by Advanced Downhole, Inc. and now operated by Cactus Operating Co, LLC. The specific properties are the San Simon State 3, 4, and 5 located in Section 4, Township 22S, Range 35E.

These leases were acquired by Lucky Services of Hobbs, NM in February, 2000 on a lien judgement brought by Lucky Services against Advanced Downhole, Inc. The properties are being operated by Cactus Operating Co, LLC of Lovington, NM. These wells are bonded for plugging liability by RLI Insurance Co of Houston, TX with bonds numbers RLB0001899, RLB0001900, and RLB0001901. These bonds have been sent to Dorothy Phillips of your Santa Fe office for approval. Forms C104 (Change of Operator) has been filed with your office.

Documentation of the formal judicial proceedings accompanied the lien judgement will be available as soon as Gary Don Reagan, Attorney, of Hobbs, NM, provides them.

Thank you for your cooperation.

Sincerely,



William V. Palmer  
Cactus Operating Co, LLC