

RICE Operating Company

122 West Taylor • Hobbs, New Mexico 88240
Phone: (505)393-9174 • Fax: (505) 397-1471

August 30, 2001

Mr. Chris Williams
NMOCD Hobbs Office
1625 N. French Drive
Hobbs, NM 88240

Re: Mechanical Integrity Test (MIT)
BD SWD Well H-35

Dear Mr. Williams:

Rice Operating Company (ROC) would like to submit for approval the final C-103 form for Blinebry-Drinkard (BD) SWD Well H-35. This well experienced a packer failure, discovered on August 16th. The well was shut-in pending the availability of a well servicing unit.

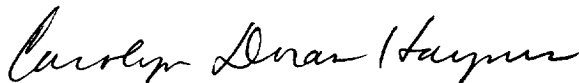
A pulling unit became available August 22, 2001 and Mr. Gary Wink was notified work would begin. The pre-work C-103 was completed and submitted.

The well service was completed August 27, 2001 with a successful MIT. The NMOCD was notified of a probable test time on August 23. The NMOCD representative was on location August 24, but unforeseen delay caused the test to be conducted Monday, August 27. There was not an NMOCD representative on-site to witness. The completed MIT chart accompanies the final C-103 form.

ROC is the service provider (operator) for the Blinebry Drinkard (BD) SWD System. ROC has no ownership of any portion of pipelines, wells, equipment or facilities. The BD System is owned by a unique consortium of oil producers called System Partners, who provide all operating capital on a percentage ownership/usage basis. Major projects, such as this well work, require System Partner AFE approval or special permission and work begins as funds are received.

Sincerely,

RICE OPERATING COMPANY



Carolyn Doran Haynes
Operations Engineer

Cc: LBG, file