

Page 2

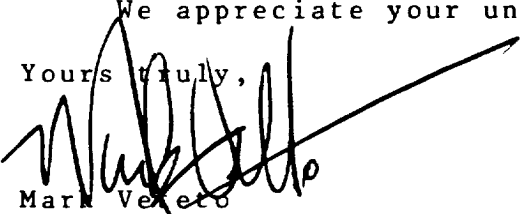
Ltr. Ref: Pan Cana Fed.#1 & Deck Fed. #1

The Blinebry has a net porosity feet of 94. The Blinebry is perforated as follows: 5460, 67, 71, 82, 5523, 27, 63, 65, 74, 5620, 26, 42, 48, 5727, 29, 32, 71, 73, 79, 5808, 10, 14, 16, 56, 5960, 76, 88. There are 2 holes each interval for a total of 54 holes. Some of the perforations are in zones that do not fit the criteria. The total porosity feet in both zones is 341.5. Based on percentage, the allocation for the Drinkard should be $247.5/341.5=72.5\%$ and for the Blinebry $94/341.5=27.5\%$. The top of the Blinebry is at 5412 (-1985).

The Pan Cana Federal #1 has a net porosity feet of 112 in the Drinkard. The Drinkard is perforated at the following intervals: 6462-64, 6510-12, 6544-46, 6603-05, 6633-35, 6652-54 with 6 holes each interval for a total of 36 holes. The top of the Drinkard is at 6460 (-2993). The Tubb has a total net porosity feet of 67 and is perforated at following intervals: 6275, 76, 77, 6303, 05, 20, 21, 22, 67, 74, 83 with 2 holes each interval for 22 total holes. The top of Tubb is at 6160 (-2693). The Blinebry has a total net porosity feet of 74 and is perforated with 2 holes at each interval as follows: 5868, 87, 5900, 09, 17, 18, 19, 27, 36, 38 for a total of 20 holes. The top of the Blinebry is at 5708 (-2241). The total porosity feet in all intervals is 253. The allocation for the Drinkard would be $112/253=44\%$, for the Tubb $67/253=26\%$ for the Blinebry $74/253=30\%$. Some of the perforations are in zones that do not fit the criteria and it is believed that these zones produce water. Enclosed are the logs from these two wells with porosity and water saturation on each zone on the log.

We appreciate your understanding and consideration in this matter.

Yours truly,



Mark Vexeto
Vice-President

MV/cw

Encl: Plat, C-116, Water Analysis, Logs, Letters to Offset Operators
and USGS, Treatment