Steve

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Mr. R. D. Stanlee
Energy Three Inc.
P.O. Box 1505
Great Bend, Kansas 67530

Dear Sir:

Attached for your consideration are the sample and drill time logs of the Energy Three #2 Habiger well in Rice County, Kansas.

A comparison of the E-Log formation tops on the Habiger #1 and Habiger #2 Wells is as follows:

WELL	FORMATION TOP	WELL	STRUCTURAL DIFFERENCE
Habiger #1		Habiger #2	
--	Oread	2685(-955)	
2733(-1002)	Hebner	2726(-996)	+6
2753(-1022)	Toronto	2746(-1016)	+6
2766(-1035)	Douglas	2759(-1029)	+6
2853(-1122)	Brown Lime	2848(-1118)	+4
2873(-1142)	Lansing	2867(-1137)	+5
2910(-1179)	Lane Shale	2904(-1174)	+5
2953(-1222)	Oolicastic Zone	2947(-1217)	+5
3011(-1280)	Muncie Creek	3007(-1277)	+3
3076(-1345)	Stark Shale	3081(-1351)	+6
3119(-1388)	Hushpuckney Shale	3114(-1384)	+4
3151(-1420)	Hertha Ls	3149(-1419)	+1
3165(-1434)	Base KC	3163(-1433)	+1
3193(-1462)	Sooey(BPC)	3190(-1460)	+2
3226(-1495)	Arbuckle	3223(-1493)	+2

The #2 Habiger was generally 5' higher structurally to the #1 Habiger, on all horizons, from the Heebner Shale to the Hushpuckney Shale. The E-log tops of the Hertha Ls, Base KC, Sooey (BPC) and Arbuckle in the #2 Habiger were 1'-2' higher, or relatively flat to the #1 Habiger.

The producing zone in the #1 Habiger was also tested on the #2 Habiger, and recovered drilling mud. This zone in the #2 Habiger contained a great deal of conchoidally fractured chert. The field prints of this zone indicated very high water saturation.

Sample tops on the #2 Habiger are as follows:

Oread	2687(-957)
Heebner	2729(-999)
Leavenworth	2733(-1003)
Snyderville	2736(-1006)
Toronto	2746(-1016)
Douglas	2766(-1036)
Haskall	2835(-1105)
Brown Lime	2849(-1119)
Lansing	2868(-1138)
Top Oolicastic Zone	2951(-1221)
Muncie Creek	3011(-1281)
Stark Shale	3078(-1346)
Hushpuckney	3118(-1388)
Ladore Shale	3146(-1416)
Hertha (Sniabar)Ls	3149(-1419)
Base of KC	3164(-1416)
Top Sooey(BPC)	3195(-1465)
Arbuckle	3227(-1497)

It is suggested that the samples in the Oread and immediately above the Oread formation in succeeding wells in this area, be checked at the well site while drilling for any possible shows.

Yours truly,

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