

June 21, 1988

United States Department of the Interior
Bureau of Land Management
Farmington Resource Area
1235 La Plata Highway
Farmington, New Mexico 87401

Attention: Mr. Ron Fellows - Area Manager

Re: BIM Lease Serial Nos. 080565, 080565A
Communitization Agreement
No. NMA-4
3162.3-2 (019)
S 1/2 Section 5, T25N-R3W
Rio Arriba County, New Mexico

Gentlemen:

We have received your letter of May 6, 1988, regarding the No. 9 and No. 9A Florance Wells located on the above communitized area.

From the materials available in our files, it is Graham's opinion that both wells on the communitized area may be capable of producing communitized substances in paying quantities. At this time, however, the work required to restore the wells to production may not be economically justifiable, given the current lack of market for gas production.

We request hereby authorization to maintain the above wells in a shut-in status for a period of one year. During this period we will perform a casing integrity test on each well, at the direction of the Farmington BIM office. When the casing is tested, Graham also proposes to run cased-hole logs to determine the extent of the work that may be required to restore each well to production.

Our review also indicates that both wells were drilled to the Dakota formation and that additional reserves may be producible from the Dakota in each well. It is our opinion that any requirement to plug these wells will result in potential waste and the permanent loss of reserves.

Please advise if any additional information or materials are required.

Very truly yours,

GRAHAM ROYALTY, LTD.

Wilbur L. Dover
Wilbur L. Dover
Division Manager

THIS APPROVAL EXPIRES 7/1/89

WLD/tdh

cc: Terry Holzwarth
Bill Aspinwall

RECEIVED
JUL 03 1988
OIL CON. DIV.
DIST. 3

