



TONY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

July 2, 1986

Mr. Jack Cayias
Minel, Inc.
457-C Washington S.E.
Albuquerque, NM 87108

Re: Charles M #3 L-01-25N-03W

Dear Jack:

Your June 16 letter did not show that you do not own the well. As we had discussed, we hold the well operator not lease holder responsible.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank T. Chavez".

Frank T. Chavez
District Supervisor

FTC/dj

xc: Well File
Operator File

MINEL, INC.

457-C WASHINGTON, SE • ALBUQUERQUE, NEW MEXICO 87108 • (505) 255-9984

June 16, 1986

Mr. Frank Shavez, Director
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Dear Frank:

This letter will reduce to writing our discussion we had in Santa Fe, New Mexico on the well located in the SW 1/4, Section 1, 25 North, 3 West in Rio Arriba County, New Mexico, on Mr. Fred Davis' property. We acquired the lease rights on this acreage from the Probate Court of Oscar Abraham's Estate, which was farmed out to Jet Gas Company (Mr. Jim Jones of Aztec, New Mexico, being the principal), who removed the tubing and was to replace it with one inch tubing, which he did not do.

Mr. Davis, owner of the property, did not cash the last rental payment check we sent him nor did he return it. He then gave the lease rights to the Union Oil of Texas for which he received a substantial cash bonus. This prohibited us from doing anything more with the property.

We then contacted Mr. Rudy Motto, the general manager of Union Oil of Texas (Farmington office), who advised us that he would give us a farm-out on the acreage if they did not drill it because the lease he had required drilling. He also stated that if they did drill that they would plug the well or produce it, because the well carried a dedication for the sale of gas to El Paso Natural Gas Company.

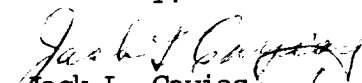
As I advised you in Santa Fe, Union Oil of Texas decided to drill the Gallup Dakota formation which is now a producing oil well.

I'm quite certain that the dedication of the sale of gas is used by Union Oil of Texas to obtain a contract for the sale of casinghead gas that the oil well produces. As you can see from these circumstances, the responsibility for plugging this well lies either with Jet Gas Company or possibly with Union Oil of Texas.

I'm also quite certain that if properly reworked, the well could become productive.

If I can be of any further assistance, please let me know.

Sincerely,


Jack L. Cayias

JLC:ph

RECEIVED
JUN 19 1986
OIL CON. DIV.
DIST. 3