

GAS COMPANY OF NEW MEXICO
Gas Supply Division

July 25, 1984

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Depco, Inc.
1000 Petroleum Building
Denver, Colorado 80202

Attention: Mr. Troy L. Jackson

Re: CA-2515 Mudge "A" #5,
Mudge "A" #8, Section 6,
T27N, R11W, San Juan
County, New Mexico
Depco GCNM-10 (GCNM-GP173)

Gentlemen:

In response to the questions raised in your letter of July 16, 1984 regarding the referenced wells being reconnected to our system, please be advised that Gas Company of New Mexico, in the face of a seriously deteriorated natural gas market, would decline the reconnection of those wells due to our current over supply situation.

Article XI, PRORATIONS AND MINIMUM PURCHASES, in the second paragraph of page 9 provides:

"Buyer agrees in any event (unless prevented from doing so by reason of declines in well pressures to less than two hundred fifty (250) pounds per square inch gauge or by reason of a decline in the open flow capacity of any well to less than one hundred sixty-six (166) MCF per twenty-four (24) hours at the working pressures then being maintained by Buyer in good faith in its lines) that, during each full calendar year that this agreement remains in effect....". It is our belief, to some extent borne out by production capability of the Mudge "A" #7, which was recently reconnected, that these wells will no longer provide two hundred fifty (250) pounds well pressure nor a volume of one hundred sixty-six (166) MCF/D against our current pipeline pressure and we would therefore be under no obligation to purchase such volumes since they would be no longer covered by Minimum Purchase requirements.

Further, Article XII, QUALITY OF GAS, provides that, among