



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 30, 2004

Mr. Glen Houston
1304 W. Broadway
Hobbs, NM 88240

Re: SWR Wells in Eddy County

Dear Mr. Houston:

This will confirm our telephone conversations regarding the intention of your client, Tom Cone, to take over operation of the referenced wells that the division previously ordered plugged. It is my understanding that your client has obtained a working interest in these leases from another co-owner, and has filed requests to change operation with the BLM.

OCD has a contract with a plugging contractor to plug these wells. At the time of our first conversation on this subject, in August 2004, the contractor was working on plugging the wells. At your request, to enable your client to complete the acquisition, we suspended the plugging operation.

Our contract to have these wells plugged expires on May 2, 2005. In order to give the contractor time to complete the contract before its expiration, we need to give him notice to resume plugging by early February. Accordingly, we must request that change of operator forms be filed with us, and additional single-well bonds to cover these wells until they are restored to production (required because these wells have been inactive for more than two years) be furnished, not later than January 31, 2005.

Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

David K. Brooks,
Assistant General Counsel

cc: Tim Gum, OCD Artesia