



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Resource Area Headquarters
P.O. Box 1778
Carlsbad, New Mexico 88221-1778

IN REPLY REFER TO:
3160
NM06780 (gb)

JAN 05 1998

Mr. Phillip Smith
Maralo Inc.
P. O. Box 832
Midland, TX 79702

Dear Mr. Phillips:

Reference is made to your proposed location of the Gold Rush 30, Federal # 8 located in the lower end of Remuda Basin, New Mexico. As you are aware, the only location that we could come up with to accommodate Maralo is a an unorthodox one. The reason being, unavoidable conflicts with archaeology and Cave/Karst. Whenever we attempted moved the location to an orthodox location, there were conflicts between either archaeology or cave/karst which prevented us from locating the well in an orthodox location. Consequently, the only alternative would be an unorthodox location thus requiring a hearing before the NMOCD.

Should you have any questions relating to this matter, please contact myself or Barry Hunt of my staff.

Sincerely,


Gary Bowers
Area Manager

NEW MEXICO
OIL CONSERVATION DIVISION

Maralo EXHIBIT 3

CASE NO. 11912