

KERSEY AND COMPANY

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February 6, 2002

Mr. David K. Brooks
Assistant General Counsel
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Ref: OCD Case No. 12758

Dear Mr. Brooks;

I take exception to the \$1,000.00 fine imposed on our company by the New Mexico Oil Conservation Division (letter dated January 16,2002.)

The referenced well, Hover #1, posed no environmental hazard, thus we saw no urgency for action, although we were not opposed to doing some work on it and returning it to production. We had shut the well in, because in 1994 the pumping unit had become inoperable. Because the well was producing a low oil to water ratio and we didn't feel that it was worth the investment of replacing the pumping unit and the old string of tubing.

For some reason, effective 12-07-94 the well was listed as plugged and abandoned (see attachment "A" dated 7-06-01). Since your department was obviously confused and we saw no particular need and no real economic advantage to returning this well to active status, no action was taken. The status was then changed and made effective 01-01-94 (before date of the P & A status) see attachment "B" dated 9-24-01.

We did not appear at the hearing on Nov. 1,2001 because we were in agreement to take some action. We decided to return the well to production and on 12-03-01 filed a C-103 with the Hobbs office (see attachment "C"). Work was started on January 11, 2002 and completed on January 28, 2002, and the well is back in production (see attachment "D").

Although I am not interested in traveling to Santa Fe for a hearing, I would request that this letter and evidence be presented for "de novo" of this case. I await your reply.

Sincerely,

Kenneth R. Wade
Kersey & Company