

MAR 26 2001

30-015-21638

F-23-19-28

I.T. PROPERTIES

DRY STATE #1

THE DRY STATE #1 WAS PERMITTED AND DRILLED IN 1975.

5.5" CASING WAS CEMENTED IN THE WELL AT 11,549'.

THE WELL WAS COMPLETED WITH PERFORATIONS AT
8895'-8902' IN THE WOLFCAMP FORMATION
AND AT 11,065'-11,090 IN THE MORROW FORMATION.

THE WELL SHOWS LAST PRODUCTION ON ONGARD STATE DATA
BASE SYSTEM TO HAVE BEEN FEBRUARY OF 1993.

THE WELL FAILED A PACKER LEAKAGE TEST CONDUCTED IN
OCTOBER OF 1996.

A LETTER WAS SENT TO I.T. PROPERTIES REQUESTING THE
WELL BE REPAIRED ON OCTOBER 30 1996 BY RAY SMITH OCD
FIELD REP 2

ON DECEMBER 4, 1998 A SECOND LETTER WAS SENT CERTIFIED TO
I.T PROPERTIES BY MIKE STUBBLEFIELD FIELD REP 2.
THIS LETTER REQUESTED THE DUAL COMPLETION WELL BE
EITHER REPAIRED, TA OR BE PROPERLY PLUGGED AND ABANDONED
IN ACCORDANCE TO RULE 202 B..
THIS CERTIFIED LETTER WAS RETURNED UNCLAIMED.

JANUARY 14, 1999 MIKE STUBBLEFIELD CALLED K.W. CHEN
AND REQUESTED THE WELL BE REPAIRED, TEMPORARY
ABANDONED OR PLUGGED.
AFTER THE PHONE CONVERSATION A FAX COPY OF THE PHONE
CONVERSATION WAS FAXED TO K.W. CHEN'S FAX MACHINE NUMBER.

MARCH 3, 1999 A E-MAIL LETTER WAS SENT TO RAND CARROLL
REQUESTING THE DRY STATE #1 BE PROPERLY PLUGGED TO PROTECT THE
ENVIRONMENT AND CORRELATIVE RIGHTS IN THE AREA.

A SHOWCAUSE HEARING WAS SCHEDULED ON JULY 13, 2000
AND WAS CONTINUED TO OCTOBER 5TH 2000.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Oil Conservation Division
District II

811 South First Street, Artesia, NM 88210
Phone: (505) 748-1283 • Fax (505) 748-9720
<http://www.emnrd.state.nm.us>

FAX COVERSHEET

TO: Wendle Chen

DATE: 12/11/2000

FROM: Mike Stubblefield

Number of Pages (including Coversheet): 2

Message (if any): _____

If you have any trouble with this transmission, please call (505) 748-1283.

NOTE: 3/14/2001

CALL VIC RODRIGUEZ OWNER L&R WELL SEVICES

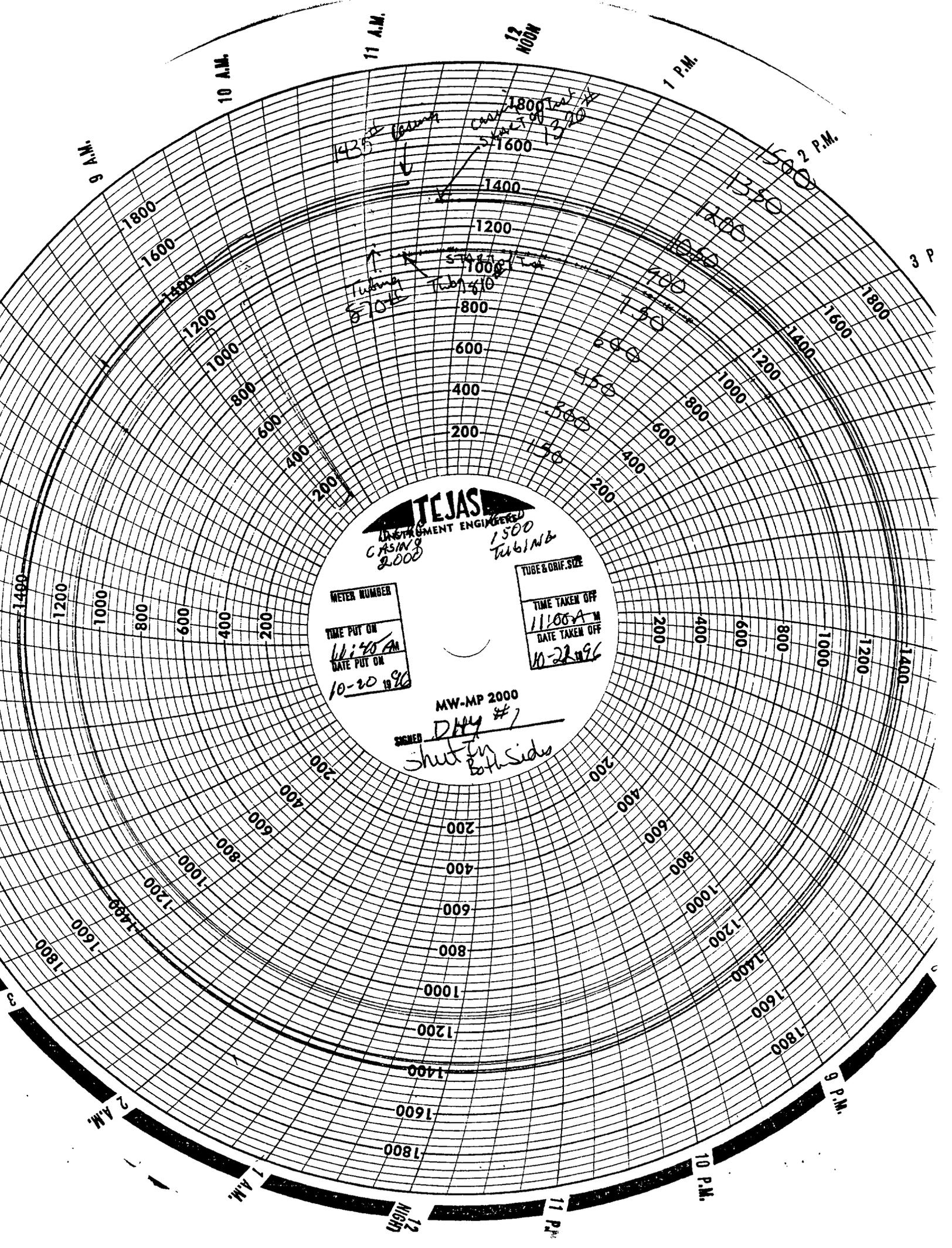
I INQUIRED AS TO IF WENDLE CHEW A CONTACTED L&R WELL SERVICE FOR WORKOVER ON THE I.T. PROPERTIES DHY ST. #1.

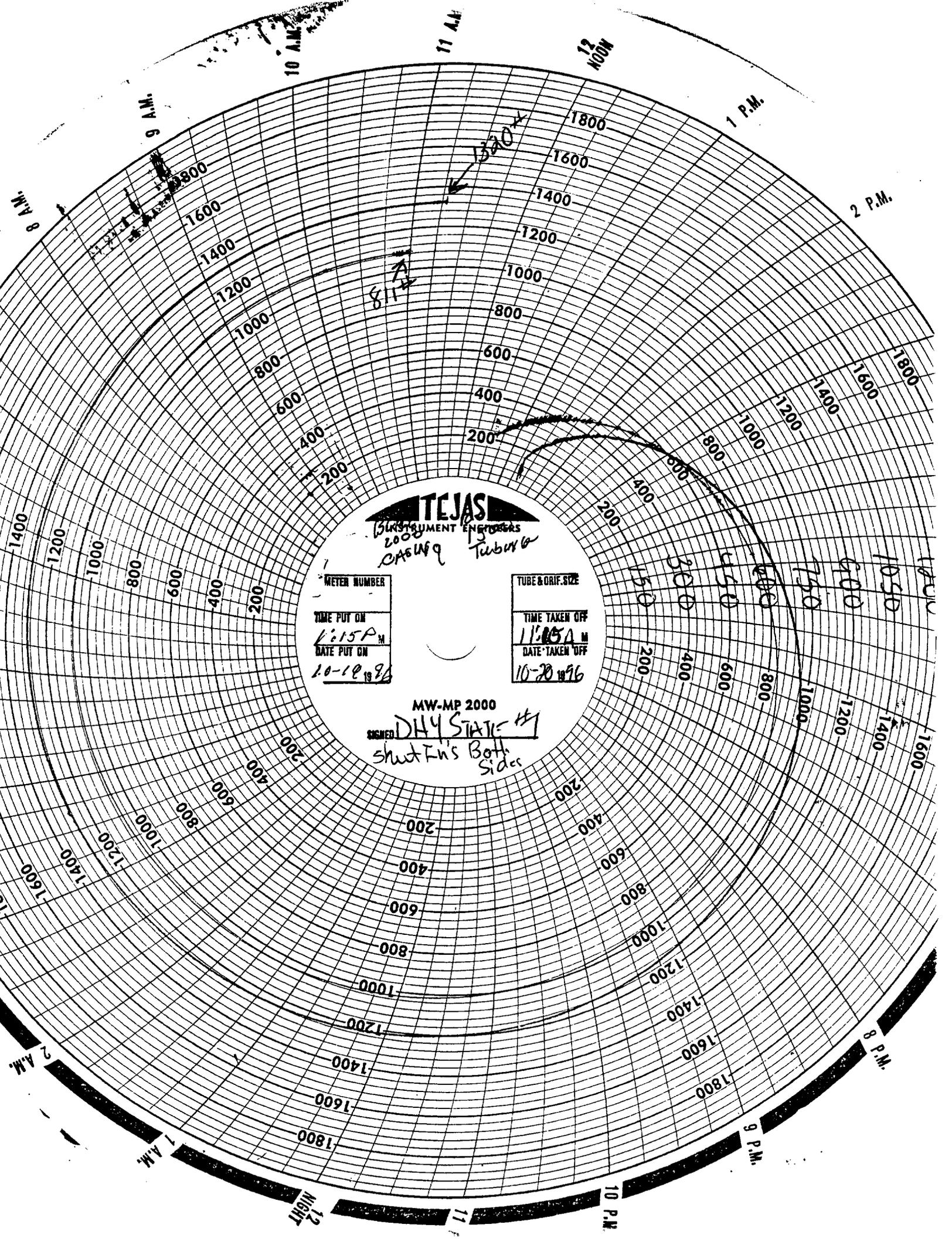
VIC SAID HE WAS CONTACTED A MONTH AND A HALF AGO BY MR. CHEN WHO INDICATED HE WANTED TO RUN A NEW STRING OF TUBING INTO THE WELL BORE.

VIC SAID MR. CHEN HAD CONTRACT PREVIOUS TO THIS CALL TWO OTHER TIMES BY PHONE.

VIC SAID HE TOLD MR. CHEN THAT HE HAD NO WORKOVER RIGS FREE AND WOULD PLACE MR. CHEN ON WAITING LIST.

MIKE S.



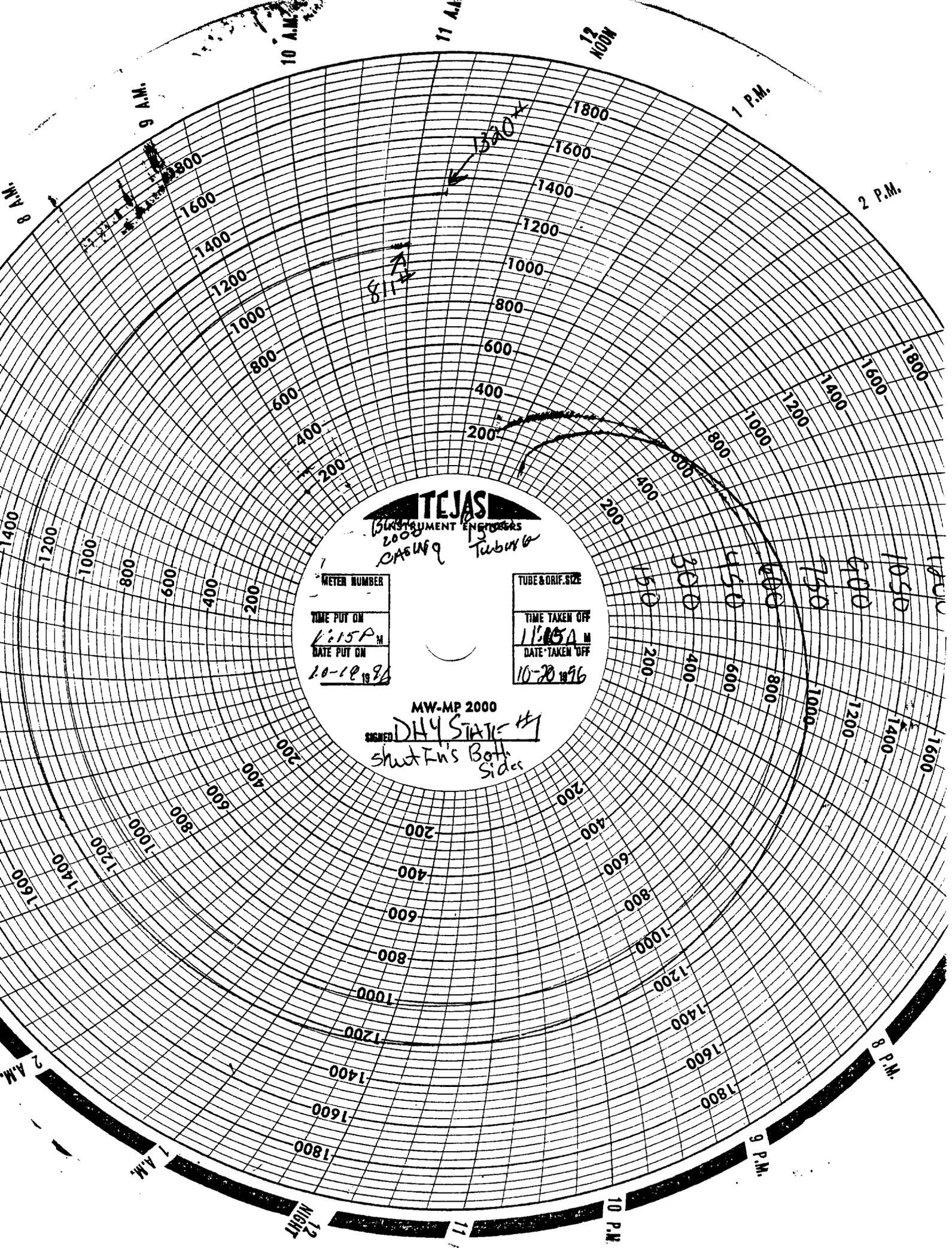


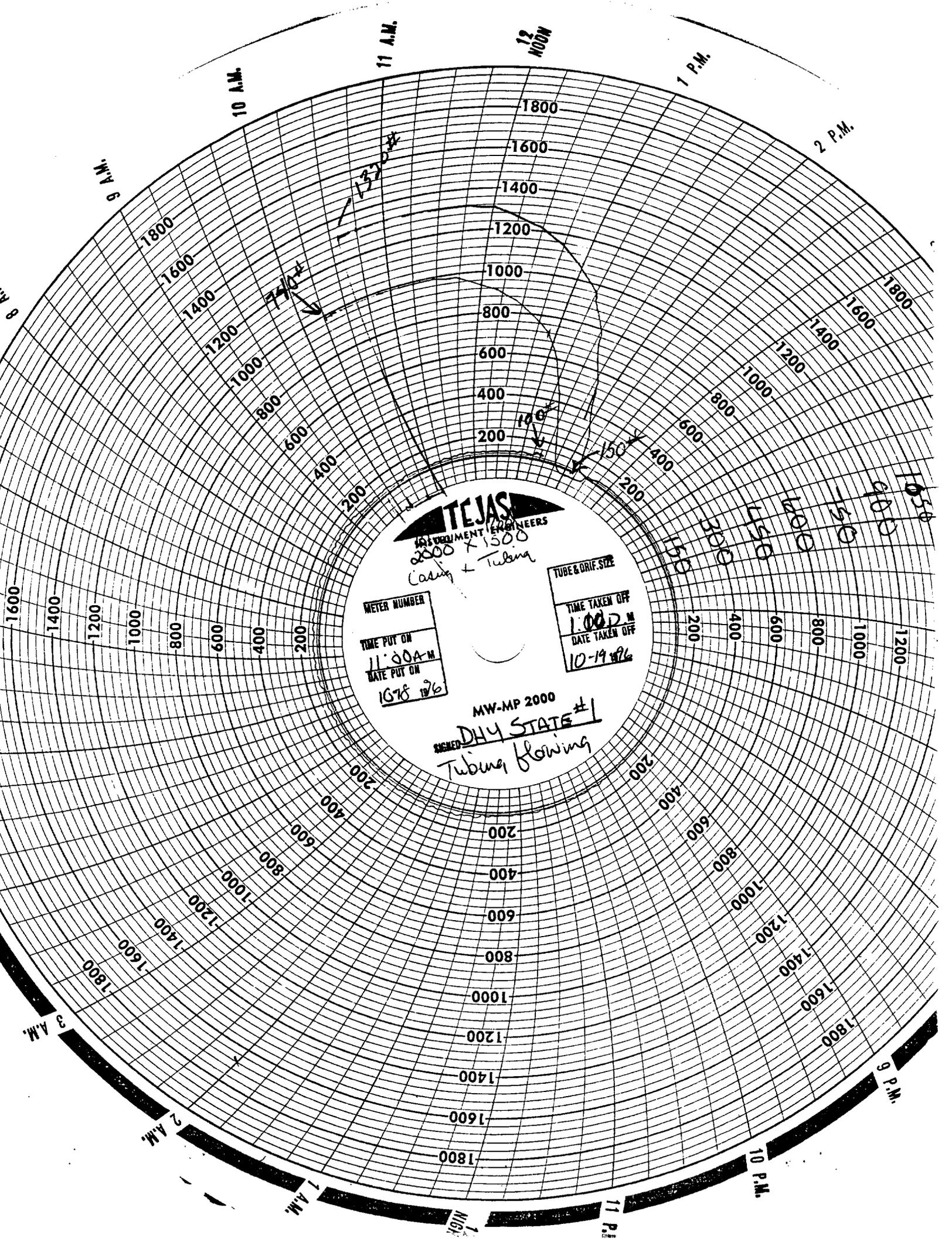
TEJAS
 INSTRUMENT ENGINEERS
 2008
 CASING Tubing

METER NUMBER
 TIME PUT ON
 1:15 P.M.
 DATE PUT ON
 10-10-96

TUBE & ORIF. SIZE
 TIME TAKEN OFF
 11:05 A.M.
 DATE TAKEN OFF
 10-20-96

MW-MP 2000
 SIGNED DHY STAFF #1
 shut In's Both Sides



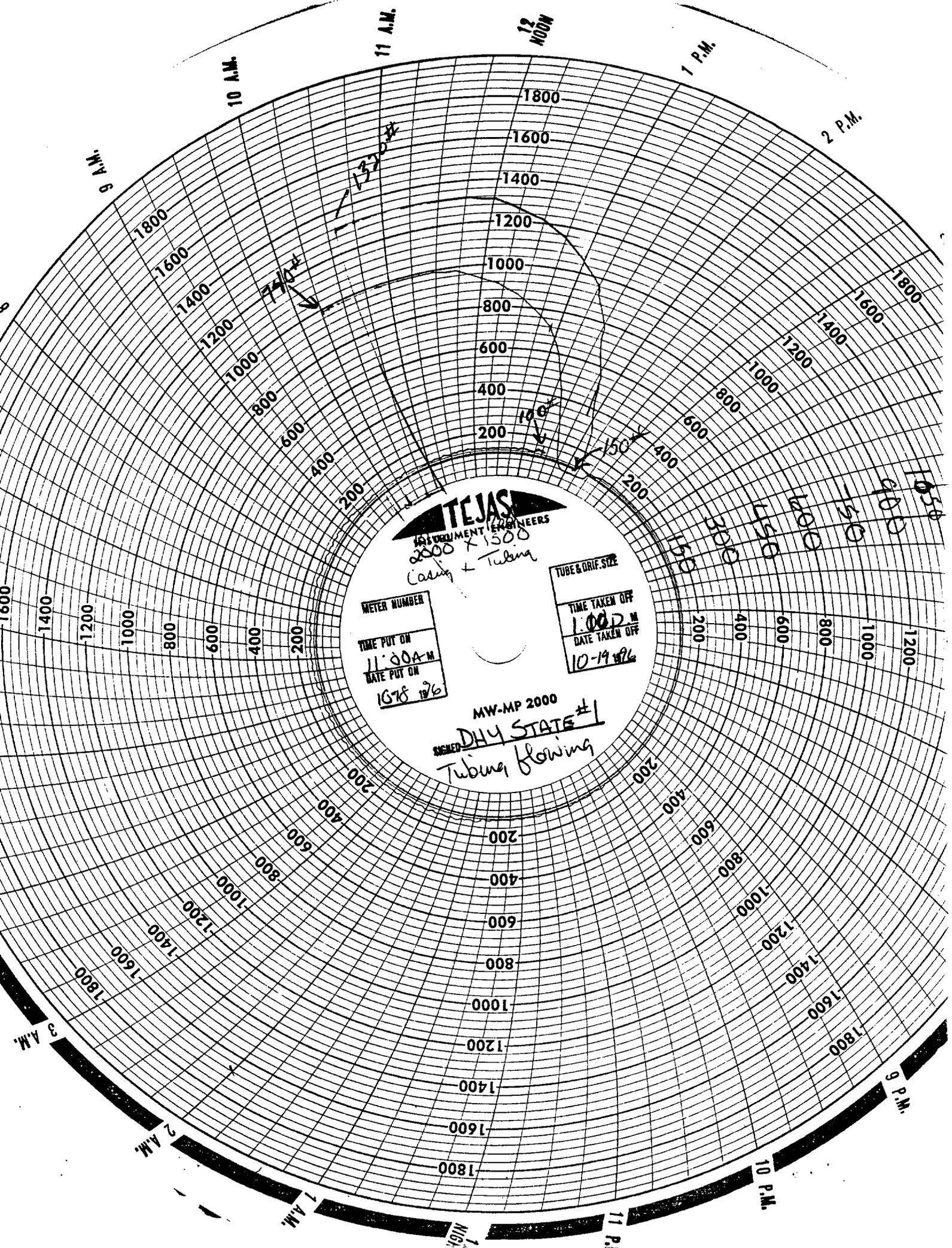


TEJAS
 INSTRUMENT ENGINEERS
 2000 x 1500
 Casing + Tubing

METER NUMBER
 TIME PUT ON
 11:00 A.M.
 DATE PUT ON
 10-18-1976

TUBE & DRIF. SIZE
 TIME TAKEN OFF
 1:00 P.M.
 DATE TAKEN OFF
 10-19-1976

MW-MP 2000
 DHY STATE #1
 Tubing flowing



PRINCIPAL: K.W. CHEN, dba I.T. PROPERTIES 06 10382

SURETY: Gulf Insurance

BOND NO.: 58 54 63 180 10242
10242

TYPE: \$50,000 Blanket Plugging Bond

APPROVED: November 17, 1992 01-1000

CANCELLED:

WELL LOCATION:



BEFORE EXAMINER ASHLEY	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. 1
CASE NO.	12459

30-015-21638

F-23-195-28c

I.T. Properties

D.R.V. STATE #1

Tops

T. SALT - 950'

B. SALT - 1380'

T. S.A. - 2690'

T. Gloria - 4255'

T. Wolfcamp - 8815'

T. Morrow - 10,810'

* SET 10 5x surface Plug.

* Perforate 5 1/2" casing @ 462'.
Squeeze 100' cement Plug
inside + outside 5 1/2" casing. TAG

* Perforate 5 1/2" casing at 2850'. Squeeze 100' cement Plug
inside + outside 5 1/2" casing. TAG

* Perforate 5 1/2" casing at 5766'. Squeeze 100' cement Plug
inside + outside 5 1/2" casing. TAG

* Run + set CIBP w/35' cement at 8766'.

* Run + set CIBP w/35' cement at 10,925'.

Perfs 8866'-8902'

* Brine gel between all Plugs

Perfs 11,025'-47'

12 3/4" casing
417' circ.

8 5/8" casing
2800'

oc - 541'
np. survey

5 1/2" casing
11,553'

T.o.c
6880' Temp. Survey

* Erect dry hole marker
cut + level all pits
cut + remove all Deadmen.
Remove junk from location.

30-015-21638

F-23-195-28e

I.T. Properties

D.R.V. STATE #1

Tops

T. SALT - 950'

B. SALT - 1380'

T. S.A. - 2690'

T. GLORIETA - 4255'

T. Wolfcamp - 8815'

T. Morrow - 10,810'

12 3/4" casing
417' circ.

8 5/8" casing
2800'
Toc - 541'
emp. survey

± Perfs 8866' - 8902'

± Perfs 11,025' - 47'

5 1/2" casing
11,553'
Toc.
6880' Temp. Survey

Submit 3 Copies
Appropriate District Office
DISTRICT I
P.O. Box 1900, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

RECEIVED

Form C-104
Revised 1-1-89
See Instructions
at Bottom of Page

DISTRICT II
P.O. Drawer DD, Azusa, NM 88210

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

JAN 15 '91

O. C. D.

ARTESIA, OFFICE

DISTRICT III
1000 Rio Brazos Rd., Azusa, NM 87430

91 REQUEST FOR ALLOWABLE AND AUTHORIZATION
TO TRANSPORT OIL AND NATURAL GAS

I. Operator

Operator I. T. Properties Well API No. _____

Address 3502 Yachtclub Ct., Arlington, Texas 76016

Reason(s) for Filing (Check proper box) New Well Recompletion Change in Operator Change in Transporter of: Oil Gas Other (Please explain) TA

If change of operator give name and address of previous operator DeKalb Energy Company, 1625 Broadway, Denver CO 80202

II. DESCRIPTION OF WELL AND LEASE

Lease Name DHY State E Well No. 1 Pool Name, Including Formation H. W. Winchester Wolfcamp Kind of Lease State, Federal or Fee Lease No. NM-00059

Location Unit Lease F 1980 Feet From The North Line and 1980 Feet From The WEST Line

Section 23 Township 19 Range 28 East NMPM. Eddy County

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Anticipated Transporter of Oil or Condensate Hercyn Ref. Co Address (Give address to which approved copy of this form is to be sent) Box 149 Artesia, NM 88210

Name of Anticipated Transporter of Gas or Dry Gas El Paso Natural Gas Company Address (Give address to which approved copy of this form is to be sent) PO Box 1402, El Paso, Texas 79978

If well produces oil or liquid, give location of tanks. F 23 19 25 Is gas actually commingled? yes When? 12-16-76

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Rec'v	Dry Rec'v
Date Spudded	Date Compl. Ready to Prod.		Total Depth		F.R.T.D.			
Elevations (DF, RCB, RT, GR, etc.)	Name of Producing Formation		Top Oil/Gas Pay		Tubing Depth			
Perforations				Depth Casing Shoe				

TUBING, CASING AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT

V. TEST DATA AND REQUEST FOR ALLOWABLE

OIL WELL (Test must be after recovery of total volume of load oil and must be equal to or exceed test allowable for this depth or be for full 24 hours.)

Date First New Oil Ran To Tank	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MCF	Gravity of Condensate
Tubing Method (pilot, burst pr.)	Tubing Pressure (lb/in ²)	Casing Pressure (lb/in ²)	Choke Size

VI. OPERATOR CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature K. W. Chen

Printed Name K. W. Chen Title _____

Date January 7, 1991 Telephone No. (817) 577-3915

OIL CONSERVATION DIVISION

MAR - 4 1991

Date Approved _____

By Phil Walker

Title SUPERVISOR, DISTRICT II

INSTRUCTIONS: This form is to be filed in compliance with Rule 1104

- 1) Request for allowable for newly drilled or deepened well must be accompanied by tabulation of deviation tests taken in accordance with Rule 111.
- 2) All sections of this form must be filled out for allowable on new and recompleted wells.
- 3) Fill out only Sections I, II, III, and VI for changes of operator, well name or number, transporter, or other such changes.
- 4) Separate Form C-104 must be filed for each pool in multiply completed wells.

Submit 3 Copies to Appropriate District Office

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-103 Revised 1-1-89

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION 2040 Pacheco St. Santa Fe, 87505

DISTRICT II P.O. Drawer DD, Artesia, NM 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

WELL APT NO. 30-015-21638

5. Indicate Type of Lease STATE [X] FEE []

6. State Oil & Gas Lease No. NM-00059

7. Lease Name or Unit Agreement Name DAY STATE #1

8. Well No. 1

9. Pool name or Wildcat Woltcamp/Morrow

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT' (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: OIL WELL [] GAS WELL [X] OTHER []

2. Name of Operator I.T. Properties

3. Address of Operator 3502 Yachtclub Ct., Arlington, TX, 76016

4. Well Location Unit Letter F : Feet From The Line and Feet From The Line

Section 23 Township 19S Range 28E NMPM Eddy County

10. Elevation (Show whether DF, R&B, RT, GR, etc.)

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data. NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK [] PLUG AND ABANDON [] TEMPORARILY ABANDON [] PULL OR ALTER CASING [] OTHER []. SUBSEQUENT REPORT OF: REMEDIAL WORK [X] ALTERING CASING [] COMMENCE DRILLING OPNS. [] PLUG AND ABANDONMENT [] CASING TEST AND CEMENT JOB [] OTHER []

12. Describe Preparation or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103. 11/20/95 Rig up, Remove tubing & packer. Redress. Found 6 holes in tubing. Replace same. R+ tubing and packer. Re-run packer leakage test. OK. RD. 12/10/95 Keltic Services run test & submit report.

RECEIVED

SEP 19 1996

OIL CON. DIV.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. SIGNATURE [Signature] TITLE President DATE 9/18/96 TYPE OR PRINT NAME H.W. CHEN TELEPHONE NO. 817-572-3915

APPROVED BY [Signature] TITLE Deputy Dir. of Gas Property DATE 10-6-96

CONDITIONS OF APPROVAL, IF ANY:

OIL AND GAS PRODUCERS

FIELD & RESERVOIR	COUNTY	Number of		APPROXIMATE MONTHLY PRODUCTION - NEW MEXICO	
		Wells	Leases	Oil-Bbls.	Gas-MCF
HUFF, JACK					
MIDLAND, TX 79710-0190, Box 50190; 915 683-9231; Fax 915 683-9255; Owner Jack Huff; Opns. Mgr. Chris Huff; Off. Mgr. Nancy Roys.					
SE Oil					
Eumont Yates-Seven Rivers-Queen	Lea	1	1	163	1,335
SE Gas					
Eumont Yates-Seven Rivers-Queen	Lea	2	1	—	11,291
Jalmat Tansill Yates-Seven Rivers	Lea	1	1	—	3,760
HUNT OIL COMPANY					
DALLAS, TX 75202, 1445 Ross at Field; 214 978-8000; Fax 214 978-8888.					
MIDLAND, TX 79702, Box 1350; 915 684-8093; Fax 915 684-0652.					
SE Gas					
Antelope Ridge-Atoka	Lea	1	1	10	7,255
Antelope Ridge-Morrow	Lea	1	1	10	7,255
Four Ranch-Pre Permian	Chaves	1	1	—	21,471
Four Ranch-Wolfcamp	Chaves	1	1	1	3,165
Frontier Hills-Strawn	Eddy	1	1	34	24,418
I T PROPERTIES					
ARLINGTON, TX 76013, 3214 W. Park Row.					
SE Gas					
Siegrest Draw, Wolfcamp	Eddy	1	1	—	81
J C WELL SERVICE					
FARMINGTON, NM 87499, Box 51					
NW Oil					
Salt Creek-Dakota	San Juan	7	2	506	—
Verde-Gallup	San Juan	8	1	32	—
J D R LTD.					
ARTESIA, NM 88210, 811 Bullock Ave.					
SE Oil					
Empire Yates-Seven Rivers	Eddy	18	1	130	—
J & G ENTERPRISES LTD., CO.					
ARTESIA, NM 88211-0100, Box 100; 505 746-9680.					
SE Oil					
Airstrip, North-Bone Spring	Lea	1	1	—	—
Scharb-Bone Springs	Lea	3	1	—	—
Scharb-Wolfcamp	Lea	1	1	—	—
JFH OIL PRODUCERS					
HOBSB, NM 88241, Box 755.					
SE Oil					
Bagley, North-Permo-Pennsylvanian	Lea	7	6	696	1,257

3502 Yachtclub Ct
76016

817/572-2915
478-925 Fax

I. T. PROPERTIES
3502 Yachtclub Ct.
Arlington, Texas 76016
(817) 572-3915; Fax (817) 478-1925

November 17, 1992

Ms. Dianne Richardson
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Double SS #1, Unit N Sec 26, T24, R36E
Double SS #2, Unit C Sec 35, T24, R36E

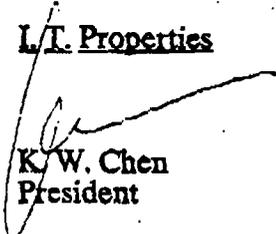
Dear Ms. Richardson,

Enclosed please find an original blanket bond for State of New Mexico.

Please inform your Hobbs District Office so that they can issue the C104 to us as soon as possible.

Very truly yours,

L.T. Properties


K.W. Chen
President



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

November 17, 1992



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5000

I. T. Properties
3502 Yachtclub Ct.
Arlington, Texas 76016

Attention: K. W. Chen

Re: \$50,000 Blanket Plugging Bond
K. W. Chen, dba I. T. Properties,
Principal
Gulf Insurance Co., Surety
Bond No. 58 54 63

Dear Mr. Chen:

The Oil Conservation Division hereby approves the above-referenced
plugging bond effective this date.

Sincerely,

William J. Lemay
[Signature]

WILLIAM J. LEMAY,
Director

dr/

cc: Oil Conservation Division
Hobbs, Artesia, Aztec

Burk Luebbehusen Ray & Co.
300 Oil & Gas Building
Fort Worth, Texas 76102



November 16, 1992

Ms. Diane Richardson
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: K.W. Chen DBA: I.T. Properties
Bond No. 58 54 63
Blanket Plugging Bond

Dear Diane:

You should be receiving the captioned bond via overnight mail from Mr. Chen.

It is our understanding that the blanket bond will take the place of all the single well bonds you currently have on file.

We ask that a release be issued to the surety company on the bonds listed below.

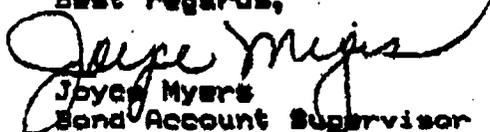
Bond No. B02847 Single well DHY "B" State #1
Bond No. B02848 Single well DHY State I #1
Bond No. B03119 Single well Siegrast State H 1980

We ask also that you copy Mr. Chen on all the releases.

Please let us know if you have any questions.

Thank you for your time and cooperation.

Best regards,


Joyce Myers
Bond Account Supervisor

cc: Mr. Wendell Chen
I.T. Properties

INSURANCE / RISK MANAGEMENT
300 Oil & Gas Building
Fort Worth, Texas 76102
(817) 236-2282 Metro (817) 429-2034
Fax Metro (817) 654-1780

**IMPORTANT NOTICE****AVISO IMPORTANTE**

To obtain information or make a complaint:

Para obtener informacion o para someter una queja:

You may contact your Agent.

Puede comunicarse con su Agente.

You may call Gulf Group's toll-free telephone number for information or to make a complaint at

Usted puede llamar al numero de telefono gratis de Gulf Group para informacion o para someter una queja al

1-800-241-7034

1-800-241-7034

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al

1-800-252-3439

1-800-252-3439

You may write the Texas Department of Insurance

Puede escribir al Departamento de Seguros de Texas

P.O. Box 149104

P. O. Box 149104

Austin, TX 78714-9104

Austin, TX 78714-9104

FAX # (512) 475-1771

FAX # (512) 475-1771

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent or the company first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

DISPUTAS SOBRE PRIMAS O

RECLAMOS: Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente o la compania primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).

ATTACH THIS NOTICE TO YOUR POLICY: This notice is for information only and does not become a part or condition of the attached document.

UNA ESTE AVISO A SU POLIZA: Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

October 30, 1992

BRUCE KING
GOVERNOR

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

IT Properties
3502 Yachtclub Court
Arlington, TX 76016

Attn: K. W. Chen

RE: Double SS #1, Unit N Sec 26, T24S, R36E
Double SS #2, Unit C Sec 35, T24S, R36E

Gentlemen:

We have received Form C-104 for a change of operator for the above-referenced wells. However, our Santa Fe office advises you do not have plugging bonds to cover these wells.

If you have not already submitted your bond, please do so immediately. Blank bond forms are enclosed to assist you in this matter.

As soon as we receive an OK on your bonds the C-104s will be approved, and returned to you.

If you have questions concerning your bond, please contact Diane Richardson in our Santa Fe office at (505) 827-5806.

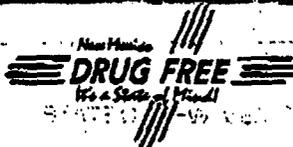
Very truly yours,

OIL CONSERVATION DIVISION

Jerry Sexton
Supervisor, District 1

ed

Encl.



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

individuals, the identification and location of said wells have been

STATE OF NEW MEXICO
\$50,000 BLANKET PLUGGING BOND

BOND NO. 58 54 63
(FOR USE OF SURETY COMPANY)

(Note: File with Oil Conservation Commission, P.O. Box 2088, Santa Fe (87501))

KNOW ALL MEN BY THESE PRESENTS:

That K.W. Chen, DBA:
I.T. Properties, An individual (a partnership)
(a corporation organized in the State of _____ with its principal
office in the city of Arlington State of Texas, and authorized
to do business in the state of New Mexico), as PRINCIPAL, and Gulf
Insurance Company, a corporation organized and existing under the laws of
the State of Missouri, and authorized to do business in the state
New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for
the use and benefit of the Oil Conservation Commission of New Mexico pursuant
to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as
amended, in the sum of Fifty Thousand Dollars (\$50,000.00) lawful money of the
United States, for the payment of which, well and truly to be made, said
PRINCIPAL and SURETY hereby bind themselves, their successors and assigns,
jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the above principal has herefore or may hereafter enter into oil
and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with
the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into
oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases,
on lands patented by the United States of America to private individuals, and
on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or
more other parties, has commenced or may commence the drilling of wells to
prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium
gas, or does own or may acquire, own or operate such wells, or such wells
started by others on land embraced in said State oil and gas leases, or carbon
dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the
United States of America to private individuals, and on lands otherwise owned
by private individuals, the identification and location of said wells being
expressly waived by both principal and surety hereto.

NOW, THEREFORE, if the above bounden principal and surety or either of
them or their successors or assigns, or any of them, shall plug all of said
wells when dry or when abandoned in accordance with the rules, regulations, and
orders of the Oil Conservation Commission of New Mexico in such way as to
confine the oil, gas and water in the strata in which they are found, and to
prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in
default of complete compliance with any and all of said obligations, the same
shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil
Conservation Commission of New Mexico of written notice of cancellation from
the surety, the obligation of the surety hereunder shall terminate as to
property or wells acquired drilled or started ~~after thirty (30) day period but~~
shall continue in effect, notwithstanding ~~said notice, as to property or wells~~
theretofore acquired, drilled or started.

BEFORE EXAMINER ASHLEY	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. <u>2</u>
CASE NO.	<u>12459</u>

I.T. Properties
PRINCIPAL
3502 Yachtclub Ct. Arlington, Texas
Address 76016

Gulf Insurance Company
SURETY
P.O. Box 1771 Dallas, Texas 75221-1771
Address

BY: [Signature]
(Note: Principal, if corporation, affix corporate seal here)

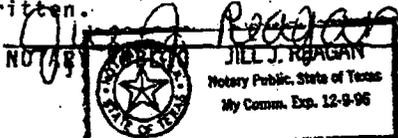
BY: Joyce Myers
Attorney-in-Fact
(Note: Corporate surety affix corporate seal here)

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

State of TEXAS } ss
County of TARRANT
On this 14th day of NOVEMBER 19 92 before me personally appeared described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

12-9-95
My Commission Expires



ACKNOWLEDGEMENT FORM FOR CORPORATION

State of _____ } ss
County of _____
On this _____ day of _____ 19 _____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and ledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

NOTARY PUBLIC

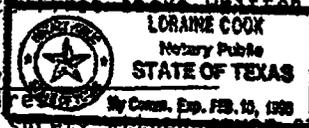
My Commission expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

State of Texas } ss
County of TARRANT
On this 13th day of November 19 92, before me appeared Joyce Myers and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

2-10-96
My Commission expires
(Note: Corporate surety action ~~power~~)



Loraine Cook
NOTARY PUBLIC

APPROVED BY:
OIL CONSERVATION COMMISSION ON NEW MEXICO

BY: William J. LeMay
DATE: 11/17/92



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That GULF INSURANCE COMPANY, a corporation of the State of Missouri, hereinafter called "Company," does hereby appoint

JOYCE MYERS OR BILL BURK OR BRENDA HILL OR PHILLIP E. LUEBBEHOSEN OR
GARY RAY

FT. WORTH, TEXAS

its true and lawful Attorney-in-fact to make, execute, seal and deliver on its behalf, as surety, any and all bonds and undertakings of suretyship, not to exceed \$250,000.00 or any bond where the penalty is not stated in the bond form. No authority is granted where the attorney in fact is a party at interest in the bond.

The execution of such bonds or undertakings in pursuance of these presents shall be as binding upon the Company as if they had been executed and acknowledged by the regularly elected officers of the Company.

This Power of Attorney is issued pursuant to and by authority of the following resolution of the Board of Directors of the Company, adopted effective July 1, 1983, and now in full force and effect:

"Resolved that the President, or any Senior Vice President, or any Vice President, or the Secretary, or any Assistant Secretary may appoint Attorneys-in-fact in any state, territory or federal district to represent this Company and to act on its behalf within the scope of the authority granted to them, in writing, which authority may include the power to make, execute, seal and deliver on behalf of this Company, as surety, and as its act and deed, any and all bonds and undertakings of suretyship and other documents that the ordinary course of surety business may require, including authority to appoint agents for the service of process in any jurisdiction, state or federal, and authority to attest to the signature of the President, or any Senior Vice President, or any Vice President, or the Secretary, or any Assistant Secretary and to verify any affidavit or other statement relating to the foregoing, and to certify to a copy of any of the bylaws of the Company and to any resolutions adopted by its Board of Directors; and any such Attorney-in-fact may be removed and the authority granted him revoked by the President, or any Senior Vice President, or any Vice President, or the Secretary, or any Assistant Secretary, or by the Board of Directors."

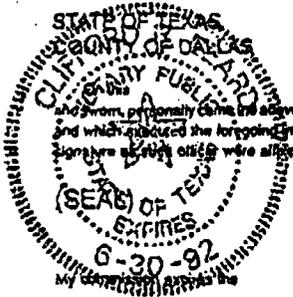
This Power of Attorney and Certificate are signed and sealed by facsimile under and by authority of the following resolution of the Board of Directors of the Company, adopted effective July 1, 1983, and now in full force and effect:

"Resolved that the signature of the President, or of any Senior Vice President, or of any Vice President, or of the Secretary, or of any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Attorneys-in-fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, including any such power of attorney and certificate revoking the authority of the foregoing Attorneys-in-fact, as well as for the appointment of agents for the service of process in any jurisdiction, state or federal, including any such power of attorney and certificate revoking the authority of such agents; and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power of attorney or certificate so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company at the time any such power of attorney and certificate are executed and in the future with respect to any bond or undertaking to which they are attached."



Witness my hand and seal of the Company has caused this Power of Attorney to be signed and its corporate seal to be affixed by its authorized officer this 17th of March 1992

By *OR Adams*
Sr. Vice President



17th day of March 1992, before me, a Notary Public of the State and County aforesaid, residing therein, duly commissioned and sworn, personally came the above named officer of GULF INSURANCE COMPANY, who being by me first duly sworn according to law, did depose and say that he is that officer of the company described in and which executed the foregoing instrument; that he knows the seal of said company; that the seal affixed to such instrument is the corporate seal of said company; and that the corporate seal and his signature and name were affixed and subscribed to the said instrument by the authority and direction of said company.

Clifford R. Beard
Clifford R. Beard
Notary Public

30th day of June 1992

CERTIFICATE

I, the undersigned, do hereby certify that the original Power of Attorney of which the foregoing is a true and correct copy is in full force and effect, and the foregoing resolutions are true and correct transcripts from the records of GULF INSURANCE COMPANY and that the above named officer was on the date of executing the foregoing Power of Attorney authorized to execute this Power of Attorney.



Witness my hand and seal hereunto subscribed my name and affixed the corporate seal of Gulf Insurance Company this 13th day of November 1992

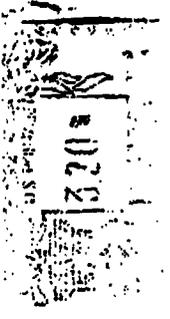
La Rodney Beckel
Vice President

State of New Mexico

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

2040 South Pacheco
P.O. Box 8428
Santa Fe, New Mexico 87505-5472

UNCLAIMED
Deponed



First Notice _____
Second Notice _____

ATX
LE 2/4
PK 2/4

For each line, the name of the person to whom the right of the property is claimed.

CERTIFIED

Mr. K. W. Chen
dba I.T. Properties
3502 Yachtclub Ct.
Arlington, TX 76016

Z 559 572 568

MAIL

NAME _____
1st Notice _____
2nd Notice _____

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF DISTRICT II FOR AN ORDER
REQUIRING I. T. PROPERTIES TO PROPERLY PLUG ONE WELL IN EDDY
COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID
WELL, AND ORDERING A FORFEITURE OF THE PLUGGING BOND, IF
ANY.

CASE NO. 12459

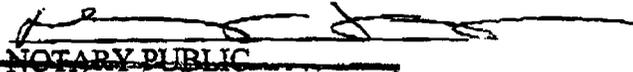
AFFIDAVIT REGARDING NOTICE

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.
2. I am the attorney of record for the Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Rule 1207.



Marilyn S. Hebert

SUBSCRIBED AND SWORN TO before me this 6th day of July 2000.


NOTARY PUBLIC

My commission expires:
2/18/2003

BEFORE EXAMINER ASHLEY	
OIL CONSERVATION DIVISION	
OCD	EXHIBIT NO. <u>3</u>
CASE NO.	<u>12459</u>

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

Complete items 1 and/or 2 for additional services.
Complete items 3, 4a, and 4b.
Print your name and address on the reverse of the form so that we can return the card to you.
Attach the form to the front of the mailpiece, or on the back if space does not permit.
Write "Return Receipt Requested" on the mailpiece below the article number.
The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Gulf Insurance Company
PO Box 1771
Dallas, TX 75221-1771

4a. Article Number

Z 559 572 969

4b. Service Type

- Registered
- Registered Certified
- Express Mail
- Insured
- Return Receipt for Merchandise
- COD

7. Date of Delivery 6 2008

8. Addressee's Address (Only if requested and fee is paid)

5. Recipient Name/Initials
John Miller
6. Signature: *John Miller*
X
MILLER

PS Form 3811, December 1994

10259-97-8-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

June 21, 2000

Mr. K. W. Chen
d/b/a L. T. Properties
3502 Yachtclub Ct.
Arlington, TX 76016

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Gulf Insurance Company
Post Office Box 1771
Dallas, TX 75221-1771

Re: Case No. 12459

Application of the New Mexico Oil Conservation Division for an order requiring
L. T. Properties to plug one well in Eddy County, New Mexico

Dear Gentlemen:

This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application for a hearing requiring L. T. Properties and other interested parties to appear and show cause why a certain well should not be ordered plugged and abandoned.

This application has been set for hearing before an Examiner of the Oil Conservation Division on July 13, 2000. You are not required to attend this hearing, but as owner of an interest that may be affected by an order issued in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B, enclosed, to file a Prehearing Statement three days in advance of the hearing.

Best regards,


Marilyn S. Hebert
Attorney

c: Tim Gum, District Supervisor
Mike Stubblefield, OCD Artesia

(10) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(7). [1-1-86...2-1-96; A, 7-15-99]

(11) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(8). [1-1-86...2-1-96; A, 7-15-99]

1207.B. Type and Content of Notice. Any notice required by this rule shall be sent by certified mail, return receipt requested, to the last known address of the person to whom notice is to be given at least 20 days prior to the date of hearing of the application and shall include: a copy of the application; the date, time and place of the hearing; and the means by which protests may be made. [1-1-86...2-1-96; A, 7-15-99]

1207.C. At the hearing, the applicant shall make a record, either by testimony or affidavit signed by the applicant or its authorized representative, that: (a) the notice provisions of this rule have been complied with; (b) the applicant has conducted a good-faith diligent effort to find the correct address of all persons entitled to notice; and (c) pursuant to this rule, notice has been given at that correct address as required by this rule. In addition, the record shall contain the name and address of each person to whom notice was sent and, where proof of receipt is available, a copy of the proof. [1-1-86...2-1-96; A, 7-15-99]

1207.D. Evidence of failure to provide notice as required in this rule may, upon proper showing, be considered cause for reopening the case. [1-1-86...2-1-96; A, 7-15-99]

1207.E. In the case of an administrative application where the required notice was sent and a timely filed protest was made, the Division shall notify the applicant and the protesting party in writing that the case has been set for hearing and the date of the hearing. No further notice is required. [7-15-99]

1208 PLEADINGS: COPIES [9-15-55...2-1-96; A, 7-15-99]

1208.A. For pleadings and correspondence filed in cases pending before a Division Examiner, two copies must be filed with the Division. For pleadings and correspondence filed in cases pending before the Commission, five copies must be filed with the Division. The Division will disseminate copies to the members of the Commission. The party filing the pleading or correspondence shall at the same time either hand deliver or transmit by facsimile or electronic mail to any party who has entered an appearance therein or the attorneys of record, a copy of the pleading or correspondence. An appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before a Division Examiner, with notice of such appearance to the parties of record. [9-15-55...2-1-96; A, 7-15-99]

1208.B. Parties to an adjudicatory proceeding must file a prehearing statement three days in advance of a scheduled hearing before the Division or the Commission. The statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. [7-15-99]

OIL CONSERVATION DIV.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF DISTRICT II FOR AN ORDER REQUIRING
I. T. PROPERTIES TO PROPERLY PLUG ONE WELL IN EDDY COUNTY, NEW
MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING
A FORFEITURE OF THE PLUGGING BOND, IF ANY.

CASE NO. 12451

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. I. T. Properties ("Operator") is the operator of the following well:

DHY St. No. 1 located 1980' FNL and 1980' FWL in Section 23, Township 19, Range
28 East (Unit F) in Eddy County, New Mexico

2. Operator has posted a surety bond in the amount of \$50,000.00 for said well in
compliance with NMSA 1978, § 70-2-14 and Rule 101 of the Rules of the Oil Conservation
Division ("Division"), which bond is conditioned upon compliance with the statutes of the State
of New Mexico and the Rules of the Division with respect to the proper plugging and
abandonment of the well operated by Operator. Gulf Insurance Company is the surety.

3. The subject well has not produced hydrocarbon or carbon dioxide substance or has
otherwise been inactive for more than one year or is no longer usable for beneficial purposes
and no permit for temporary abandonment has been requested by the Operator or approved by
the Division.

4. By virtue of the failure to use the well for beneficial purposes or to have approved
a current temporary abandonment permit, the well is presumed to have been abandoned
and is required to be plugged.

5. By authority of NMSA 1978, § 70-2-14 the Rules of the Division require wells that are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been made or attempted to be made upon the Operator either to place the subject well to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the same, and the Operator has failed to do so.

WHEREFORE, the Supervisor of District II of the Oil Conservation Division applies to the Director to enter an order:

A. Determining whether the well should be plugged in accordance with a Division-approved plugging program.

B. Upon a determination that the well should be plugged, directing Operator to plug the well.

C. Further ordering that if Operator fails to plug and abandon the well as ordered by the Director, that the Division be authorized: i. to plug the well; ii. to declare forfeit on the bond, if any, and to take such action to foreclose on the bond; and iii. to recover from the Operator any costs of plugging the well in excess of the amount of the bond, if any.

D. For such other and further relief as the Division deems just and proper, including the assessment of fines.

RESPECTFULLY SUBMITTED,



Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF DISTRICT II FOR AN ORDER
REQUIRING L. T. PROPERTIES TO PROPERLY PLUG ONE WELL IN EDDY
COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID
WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BONDS, IF
ANY.**

CASE NO. 12459

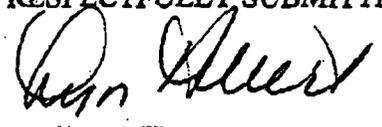
PERSONS TO BE NOTIFIED

The following are the persons to be notified in this matter:

Mr. K. W. Chen
d/b/a L. T. Properties
3502 Yachtclub Ct.
Arlington, TX 76016

Gulf Insurance Company
Post Office Box 1771
Dallas, TX 75221-1771

RESPECTFULLY SUBMITTED,



Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

US Post Service
 Receipt for Certified Mail
 No Return Receipt to be provided
 Do not use for International Mail (See reverse)
 Mr. E. K. N. Chan
 3502 Techcenter Ct
 Arlington, TX 76016

2 559 572 968

CERTIFIED MAIL

PS Form 3800, April 1975

Class of Mail	
Registered	
Special Delivery	
Insured	
Signature Required	
Postage	
Postmark	
Postage Paid	
Postage Due	
Postage Refund	
Postage Due	
Postage Refund	
Postage Due	
Postage Refund	

PS Form 3811, December 1984

1. Article Number
 2 559 572 968

2. Article Type
 Registered
 Special Mail
 Return Receipt for Merchandise
 COD

3. Date of Delivery

4. Received by (Print Name)
 Mr. E. K. N. Chan
 3502 Techcenter Ct
 Arlington, TX 76016

5. Signature (Addressee or Agent)

6. Addressee's Address (City & Zip)
 2 559 572 968

7. Date of Delivery

8. Addressee's Address (City & Zip)
 2 559 572 968

9. Addressee's Address (City & Zip)
 2 559 572 968

10. Addressee's Address (City & Zip)
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18. Addressee's Address (City & Zip)
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19. Addressee's Address (City & Zip)
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19. Addressee's Address (City & Zip)
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20. Addressee's Address (City & Zip)
 2 559 572 968

US Post Service
 Receipt for Certified Mail
 No Return Receipt to be provided
 Do not use for International Mail (See reverse)
 Gulf Insurance Company
 PO Box 1771
 Dallas, TX 75221-1771

2 559 572 969

CERTIFIED MAIL

PS Form 3800, April 1975

Class of Mail	
Registered	
Special Delivery	
Insured	
Signature Required	
Postage	
Postmark	
Postage Paid	
Postage Due	
Postage Refund	
Postage Due	
Postage Refund	
Postage Due	
Postage Refund	

Hebert, Lyn

From: Stubblefield, Mike
Sent: Monday, June 12, 2000 10:43 AM
To: Hebert, Lyn
Subject: RE: Wells to be plugged

LYN,

THE LEGAL LOCATION FOR THE I.T. PROPERTIES DHY ST. #1
IS F-23-19S-28E.

MIKE S.

From: Hebert, Lyn
Sent: Friday, June 09, 2000 4:24 PM
To: Stubblefield, Mike
Subject: Wells to be plugged

Mike, I'm starting to work on the paperwork for the 2nd group of wells. That hearing should be either July 13 or July 27, probably the 27th. Anyway, I could not find a well location of the I. T. Properties well. API # 30-015-21638, F-23-19-28 DHY State #1. Do you have that information? Thank you.

3/19/99 TT

Carroll, Rand

From: Stubblefield, Mike
Sent: Friday, March 19, 1999 11:23 AM
To: Carroll, Rand
Subject: SHOW CAUSE HEARING

3-19-99

I.T. PROPERTIES
3502 YACHCLUB CT
ARLINGTON, TEXAS
76106

①

RE: 30-015-21638
F-23-19-28 DHY STATE #1

DEAR RAND CARROLL,

ON OCTOBER 30, 1996 THE DHY STATE #1 A DUAL GAS WELL COMPLETION FAILED A SCHEDULED PACKER LEAKAGE TEST. A REPAIR LETTER WAS SENT TO THE OPERATOR FOLLOWING THE PACKER LEAKAGE TEST FAILURE AND REPAIR OF WELL WAS REQUESTED WITHIN 30 DAYS. JULY 9, 1998 I CALLED AND TALKED TO MR. WENDLE CHEW AND REQUESTED WELL BE REPAIRED. DECEMBER 4, 1998 I SENT I.T. PROPERTIES A CERTIFIED LETTER REQUESTING WELL BE REPAIRED OR PROPERLY TEMPORILY ABANDONED. THIS CERTIFIED LETTER WAS NOT EXCEPTED AND WAS RETURNED TO ME. JANUARY 7, 1999 I CALLED MR. WENDLE CHEW AND AND INFORMED HIM THAT THE PERIOD TO RUN PACKER LEAKAGE TEST ON DUAL GAS COMPLETIONS HAD ENDED OCTOBER 15, 1998 AND WE HAD NOT RECEIVED INFORMATION OF ANY PACKER LEAKAGE TEST RAN ON THE WELL. HE STATED HE HAD NOT REPAIRED THE WELL AND THERE FORE DID NOT RUN PACKER LEAKAGE TEST. I FORMED MR. CHEW THAT THE WELL NEEDED TO BE REPAIRED OR PROPERLY ABANDONED IN COMPLIANCE WITH RULE 201 B. I GAVE HIM UNTIL JANUARY 28, 1999 TO START REPAIR. THIS WELL HAS BE INSPECTED AT DIFFERENT TIMES AND WAS SHUT-IN WAITING ON REPAIR. I SHOW LAST PRODUCTION FOR THE DHY ST. #1 ON ONGARD TO BE OCTOBER 10, 1997. I BELIEVE THAT DUE TO THE FAILURE OF INTERGITY IN THE WELLBORE THAT THERE MAY BE UNAUTHORIZED COMMINGLING DOWNHOLE AND UNNECESSARY WASTE OF RESERVOIR ENERGY. TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS I RECOMMEND THAT THE DHY STATE #1 BE PROPERLY PLUGGED AND ABANDONED.

SINCERELY,

MIKE STUBBLEFIELD FIELD REP. 2