



*Received
5-23-85*

May 22, 1985

Mr. Roy E. Johnson
Senior Petroleum Geologist, NMOCD
P.O. Box 2088
State Land Office Bldg.
Santa Fe, New Mexico 87501

RE: Re-entry of #1 J. H. Simpson
Trans Pecos Resources, Inc.
Guadalupe County, New Mexico

Dear Roy:

I have today received your letter of May 20 regarding plugging of the referenced well, and attach a copy of my letter transmitting it to James V. Riner, Vice Chairman of Kriti Exploration, Inc. of which Trans Pecos Resources is a wholly-owned subsidiary. I have also given him in the text of the letter your requirements for plugging which were given to me verbally. Please confirm that these are your requirements, and that such action will satisfy your order to plug the well.

I regret that we have been unable to complete the well to date, and that we will probably have to plug it. There is no doubt in my mind that the well would have made a producer if it could have been cleaned-out.

Thanks for your patience in this matter. I will advise you of Kriti's decision as soon as possible.

Yours truly,


Robert G. McKinney

ATTM

ROBERT G. McKINNEY

8556 Katy Freeway
Suite 121
Houston, Texas 77024
Telephone No.: 713-932-1227

839 Paseo de Peralta, Suite J
Santa Fe, New Mexico 87501

May 22, 1985

Mr. James V. Riner
Vice Chairman
Kriti Exploration, Inc.
2700 One Allen Center
500 Dallas Street
Houston, Texas 77002

Dear Jim:

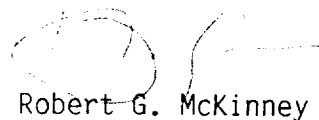
I attach a letter received today from the New Mexico OCD giving us 30 days to complete or plug the #1 Simpson. Roy Johnson has told me that the well must be cleaned out to the top of the Pennsylvanian at 5470' and a cement plug set at that point. A second plug must be set at the base of intermediate casing (3070'), and a last plug near the surface. The alternative is to complete the well in either the Abo, Pennsylvanian or Mississippian as previously recommended.

We have prepared a brochure (Jim Scott has a copy) which is being circulated to companies which have indicated an interest in the re-entry. So far we have received only one definite response: Fountain Oil and Gas thought the deal was too tough. We asked for a counter and they declined. I would like permission to soften the deal somewhat, say by offering an interest in two or three sections instead of just the proration unit, and have another go at mailing out the offer.

Alternatively, previous estimates are that it will cost approximately \$50,000 to plug the well in the fashion the State will require.

Please let me know your decision as soon as possible.

Yours truly,


Robert G. McKinney

ATTM