



CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP

Box 1919
Midland, Texas 79702
(915) 684-7131

July 27, 1978

The Union Land and Grazing Company
1329 Wood Avenue
Colorado Springs, Colorado 80903

Attention: Mr. Andrew Marshall, Treasurer

Gentlemen:

This is to notify The Union Land and Grazing Company that Cities Service Company has completed testing for CO₂ in the Fort Union No. 2 well located SE/NE Section 18-19N-19E, Mora County, New Mexico, and plans to plug and abandon the well. Selected intervals in the Glorieta and Santa Rosa formations were tested with negative results. Each zone has been plugged and abandoned individually utilizing cast iron bridge plugs and twenty-foot cement caps above the perforated intervals which complies with the requirements of the New Mexico Oil Conservation Commission. This leaves approximately 1400' of salvageable 5-1/2" OD casing which could be utilized for possible fresh water production.

Pursuant to our agreement dated May 1, 1974, Paragraph 2: "Union shall have the option to purchase all salvageable casing left in the well which is necessary for the production of fresh water."

If Union elects to exercise its option to purchase the salvageable casing, Cities proposes to transfer the well to Union in its present condition with the 5-1/2" casing intact, in exchange for Union's releasing Cities from any and all obligations for: surface damage caused by building the road and location; restoration of the location and pits; and final plugging of the well.

If this proposal is acceptable, please return an executed copy of this letter to this office.

Very truly yours,

K. D. Van Horn
Manager, Production
Southwest Region
E&P Division

KDV/EYW/lrs

Accepted this 2nd day of August, 1978

UNION LAND AND GRAZING COMPANY

By

Title Treasurer