

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark E. Fesmire, P.E.

Oil Conservation Division

August 16, 2006

Certified Mail

Return Receipt #: 7006 0810 0000 5448 5213

Fuller Petroleum, Charlotte Webb P O Box 11327 Midland TX 79702

Re: Nickels #1, K-11-31N-13W API 30-045-10870

Dear Ms Webb:

The 2006 Bradenhead test on the above well indicates a failure. In order to comply with Rule 108, prevent waste and protect fresh water, you are hereby directed to initiate remedial activity before November 18, 2006. Bradenhead psi of 100 was reported on June 7, 2006. Retest on July 18, 2006 showed 122 Psi on bradenhead with csg psi drop after bleeding bradenhead.

With your sundry please attach a copy of the last two tests, a current well bore schematic including formation and cement tops. Indicate the method used to determine the cement top; provide gas analysis from both the production and intermediate casing.

Reference RBDMS EHV0622747363 on future correspondence.

Notify the Aztec OCD 24 hours before work is initiated.

If you have any questions, please call me at 505-334-6178, ext. 17.

Sincerely yours,

Henry Villanueva

Oil & Gas Inspector, District III enriques.villanueva@state.nm.us

Cc: Well File

Dugan Production Corp