

April 12, 2006

Gale Smith  
#25 CR 6339  
Kirtland, NM 87417



Oil Conservation Division  
Attn: Denny Foust  
1000 Rio Brazos Rd.  
Aztec, NM 87410

30-045-23716

Dear Mr. Foust,

This is written in reference to the phone conversation we had on the evening of April 11, 2006 pertaining to the concerns I have brought to your attention about the Kirtland #4 Cha Cha Gallup well, API # 30-045-523716, located on property that I own.

Richardson Operating Co. plugged and abandoned the Kirtland #4 in January 2005 at which time Mr. Tom Bergen, Operations Manager, told me that Richardson Operating Co. would clean up the well site after I had communicated my concerns to him. The site has not as of this date been cleaned up or reclaimed.

As part of this clean up process, a metal oil pit with a bottom full of corrosion and holes is still present, various length of pipe still present, as well as the rig anchors still in place. Also, an eight to ten inch diameter polyvinyl chloride (PVC) pipe extends from underneath the wellpad from the wellhead into a drainage ditch that eventually empties into the San Juan River. At the time of plugging the well, a below grade pit was constructed and lined with black plastic sheeting material in an area where ground water is less than twenty feet deep, a navigable water source is less than two hundred fifty feet and the distance to ground water is less than two hundred fifty feet from this pit. The pit was closed without following pit closure guidelines with the ground being saturated from storm water oil wet water and debris to spread out on the well location. Also, the above ground storage tanks were removed, and the northern most tank bottom was corroded out causing hydrocarbons to contaminate the surrounding area. Both the oil pit and storage tank containment area was excavated and backfilled with clean fill. As the northern most storage tank was trucked from the site, oil or condensate leaked onto the county road, leaving stains that are present at this time.

At the time of discussing the clean up of this well pad with Mr. Bergen, it was agreed by him that the pumping unit and chain link fence around the well location could be dealt with at my discretion.

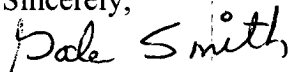
It has also been brought to my attention that Petro Mex, LLC. has assumed ownership of the Kirtland #4 as of September 1, 2005. The Oil Pollution Act (OPA) of 1990 states that it is illegal to spill oil, and once an oil spill occurs, it is the responsibility of the responsible party to notify the proper regulatory agency. The OPA states that in the case of any abandoned facility, the owner or operator immediately prior to such abandonment is the responsible party. OPA also states that the responsible party to an offshore facility shall establish and maintain evidence of financial responsibility of one hundred fifty (\$150) million dollars.

In short, the lingering existence of the Kirtland #4 in its non-reclaimed state and associated environmental problems has rendered the monetary value of this portion of property to decrease and compromise any future development.

I respectfully request that the New Mexico Oil Conservation Division (NMOCD) enforce applicable laws and resolve these issues with the responsible parties

Your help is greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Gale Smith".

Gale Smith

April 12, 2006