

CATRON, CATRON & SAWTELL

THOMAS B. CATRON, 1840-1921  
FLETCHER A. CATRON, 1890-1964

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AREA CODE 505

August 24, 1977

Mr. R. A. Crane, Jr.  
P. O. Box 356  
Fruitland, New Mexico 87416

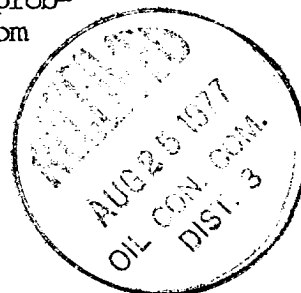
Dear Mr. Crane,

Mr. Marvin Baggett contacted me on August 18, concerning your plans for the G & B Oil Company Donella Well No. 1 located in Section 3, Township 29 North, Range 15 West, San Juan County, New Mexico. Following my conversation with Mr. Baggett, I discussed the status of the well with Mr. Joe D. Ramey, Director of the Oil Conservation Commission. As you know, the Commission by Order No. R-5487 has ordered this well plugged and abandoned on or before September 15, 1977. I advised Mr. Ramey that I intended to file an application for a de novo hearing in the plugging case before 5:00 P.M. on that date. Mr. Ramey was of the opinion that a de novo hearing was unnecessary and suggested that I discuss the situation with Mr. Al Kendrick, OCC District Supervisor in Aztec, New Mexico.

I contacted Mr. Kendrick and also discussed the matter with Ms. Lynn Teschendorf, the Commission's attorney. Based on these discussions, I believe the problem should be resolved as follows:

1. You must lease the acreage to be dedicated to the well as quickly as possible.

2. Once you acquire this lease, you should file an application with the Commission to reopen the plugging case. Your application should be based on the fact that you just acquired the lease, that you own the tubing and casing in the well, and that you plan to re-work the well thereby making it into a commercial producer. There are definite benefits to taking this approach instead of seeking a de novo hearing for it avoids a hearing before the full Commission and, thereby, gives us greater flexibility both in terms of what we can do to resolve any problems with the Commission's staff and also it gets us out from under the time deadlines for appealing the prior order.



Mr. R. A. Crane, Jr.

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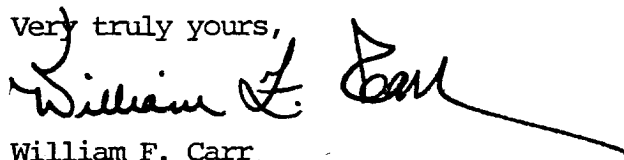
3. You must obtain certain data for the Commission before they will approve any application to amend their prior order. They will require a history of the well since G & B Oil Company did the workover on the well two years ago. Hopefully you know someone with G & B who can provide this data.

4. The Commission believes there is a hole in the casing through which water is entering the well. Certain remedial work will have to be done, and if possible, should be commenced before September 15, 1977. The remedial work will have to be explained in detail to, and done in close coordination with, the Oil Commission personnel in Aztec.

5. You will also have to file with the Commission completed copies of their Form C-103, in triplicate, reflecting what remedial work has been done and indicating the change in ownership of the well. I want to caution you, however, that once you take over the well you will be responsible for plugging it should it not be a commercial producer.

I will be happy to assist you with this effort and would like for you to call me once you have had an opportunity to review the matters set out hereinabove.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long horizontal line extending to the right.

William F. Carr

WFC:MM

cc: Marvin Baggett, Esq.  
109 Northwest Energy Building  
Farmington, New Mexico 87401

Ms. Lynn Teschendorf, General Counsel  
Oil Conservation Commission  
P. O. Box 788  
Santa Fe, New Mexico 87501

Mr. Al Kendrick, District Supervisor  
Oil Conservation Commission  
1000 Rio Brazos Road  
Aztec, New Mexico 87410